88-1335

No.

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

—against—

BARTCO PETROLEUM CORP.,
NICHOLAS J. BARTOLOMEO,
ANTHONY GOLIO,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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QUESTIONS PRESENTED

1. Whether a party's failure to object to a jury charge limits a circuit court of appeals' power to review a challenge to the charge, pursuant to Fed. R. Civ. P. 51, to only those cases where giving the charge constituted plain error by the district court.

2. Whether a punitive damage award for trademark infringement should be sustained on state law grounds pursuant to Fed. R. Civ. P. 49(a), where the court charged the jury and obtained findings of trademark infringement and contributory infringement.

3. Whether a federal court is authorized to charge punitive damages in an appropriate case brought pursuant to

the Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051, et seq.

PARTIES

Getty Petroleum Corp., plaintiff (petitioner in this Court, also referred to as "Getty"), Bartco Petroleum Corp., defendant (respondent in this Court, also referred to as "Bartco"), Nicholas J. Bartolomeo, defendant (respondent in this Court, also referred to as "Bartolomeo"), Miracle Petroleum Corp., defendant ("Miracle"), Prugig Realty Corp., defendant, Anthony Golio, defendant, Peter Ciorciari, defendant, Lena Petroleum Corp., defendant, and A.E.N. Trucking Corp., defendant. There are no affiliated companies nor subsidiary companies of Getty, except wholly owned subsidiaries.

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ANTHONY GOLIO,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner, Getty Petroleum Corp., respectfully prays that a writ of certiorari issue to review so much of the judgment of the United States

Court of Appeals for the Second Circuit, entered on September 22, 1988, as: (1) determined that the failure of the defendants to object to the jury instruction on the availability of punitive damages in a Lanham Act trademark infringement case, as required by Rule 51 of the Federal Rules of Civil Procedure, did not bar the respondents from assigning the giving of the instruction as error; (2) determined that the award of punitive damages in the sum of $2,005,000 could not be sustained in accordance with plaintiff's state law claim of unfair competition as the District Court did not present that claim to the jury; and (3) determined that punitive damages are not available under the Lanham Act and remanded the case to the District Court for it

to reconsider: (a) attorney's fees due the petitioner, eliminating from the amount awarded attorney's fees for the second trial, held solely on the issue of punitive damages; and (b) plaintiff's motion for enhancement of the compensatory damage award.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at 858 F.2d 103 (2d Cir. 1988) and a copy of it is annexed as Appendix A. The opinions of the District Court for the Eastern District of New York are not officially reported. A copy of the June 22, 1987 decision on plaintiff's motion for enhanced damages and defendants' motion for judgment notwithstanding the verdict ("judgment n.o.v.") is annexed as Appendix B; a copy of the August 25, 1987 decision on the motion

by the defendants for judgment n.o.v. after the second trial is annexed as Appendix C.

JURISDICTION

The Court of Appeals entered its judgment on September 22, 1988 and issued it as a mandate on November 29, 1988. A copy of that judgment is annexed hereto as Appendix D. By order of the Second Circuit entered on November 14, 1988, the Court denied Getty's petition for rehearing. A copy of that order is annexed hereto as Appendix E. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1). This petition is filed within the time allowed by law.

STATUTES

The statutory provisions involved in this petition are the Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051 et seq., 1114(1), 1116-1118, and 1125(a), which are set forth in Appendix F; Federal Rule of Civil Procedure 51, which is set forth in Appendix G; Federal Rule of Civil Procedure 49(a), which is set forth in Appendix H.

STATEMENT OF THE CASE[1]

Getty brought this action in the United States District Court for the Eastern District of New York to remedy injuries caused from the sale of non-Getty gasoline at three Getty brand gasoline stations located in Nassau County, New York (the "Oceanside," "New Hyde Park" and "Garden City Park" stations). Plaintiff's complaint charged: (Count I) violations under the Lanham Act for

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[1]References to the record shall be made as follows: (a) to the Joint Appendix as (A __); (b) to a trial exhibit, either plaintiff's, defendants' or court's (P Ex. #__), (D Ex. #__) or (C Ex. #___); and (c) to a trial transcript as (T, date, __). References to one of the Appendixes submitted to this Court along with this petition will be identified as "Appendix A," "Appendix B," etc., followed by a number representing the page.

trademark infringement; (Count II) violations of the Lanham Act from false designations of origin, false descriptions and false representations; (Count III) unfair competition; (Count IV) dilution of plaintiff's trademark value; (Count V) false advertising; and (Counts VI and VII) for monies owed under a loan agreement. (A 54-70)

Petitioner charged the station operators, Bartco at the Oceanside station from February 1, 1985 through May 3, 1985, Miracle at the Oceanside station from May 4, 1985 through January 29, 1986, and the operators[2] of the New Hyde Park station and the

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[2]These operators were defendants in the district court who did not appeal and are not respondents to this petition.

Garden City Park station, with direct infringement of the Getty trademark by selling non-Getty gasoline as Getty gasoline at "GETTY" brand franchises contractually obligated to sell only Getty gas. Bartco, Bartolomeo and Golio were charged with contributory infringement at the three stations by permitting and encouraging the sale of non-Getty gasoline at the stations and actually making deliveries of gasoline to these stations. The contributory infringers owned and controlled the stations and the actual infringers operated the stations through lease and sublease agreements. Getty argued in summation to the jury that the contributory infringers were the more culpable as they exercised economic control over the station operators, virtually necessitating the purchase

of non-branded gasoline. (T, 6/15/87, 10-80)

To petitioner's knowledge, this Court has never reviewed a case involving the species of trademark infringement prevalent in the gasoline industry, by which an unauthorized wholesaler of gasoline sells or causes to be sold a non-branded gasoline to the franchisees of the trademark owner, who then resell that gasoline as the branded gasoline sponsored or controlled by the trademark owner. This practice is often referred to in the industry as the "bootlegging" of gasoline. Commenting on such conduct, the Second Circuit once noted, in The Wisser Co., Inc. v. Mobil Oil Corp., 730 F.2d 54 (2d Cir. 1984), that the defendant was "committing a serious violation of Mobil's contract and

property rights and it was perpetrating a fraud on the public," 730 F.2d 54, 60.[3] Getty argued the culpable nature of the defendants' conduct to two juries, both of which returned

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[3]As compared with other forms of counterfeiting, for example, watches, pocketbooks or jeans sold for a fraction of the retail price, be they $20 Rolex watches or $15 Gucci bags, "bootlegging" of gasoline exploits the public to the greatest degree. While a reasonably informed purchaser of a $20 Rolex watch knows that what he buys cannot be the genuine article, the retail purchaser of gasoline cannot reasonably know the origin of the goods purchased, except by their mark. The commercial value of a trademark is well known and is evidenced by the billions of dollars spent each year in mergers and acquisitions. The most valuable asset purchased in those deals, more often than not, is the public's recognition of brand names and trademarks. The presence of "bootlegging" in the gasoline industry powerfully threatens this valuable asset by undermining public confidence that the item advertised is the item it will receive.

sizable punitive damage awards. The availability of punitive damages in a Lanham Act case is an issue never reviewed by this Court.

A. THE FIRST TRIAL

The first trial in this action occurred between June 2, 1987 and June 18, 1987. On June 18, 1987, the jury returned a verdict finding all defendants liable as charged, either for actual trademark infringement or contributory infringement and, in the case of Bartco, both actual infringement at the Oceanside station, as well as contributory infringement at all three stations. (A 114-122) In accordance with the 19th interrogatory in the Special Verdict, the jury further found all the defendants acted "willfully, intentionally and with a callous and reckless disregard for

Getty's trademark rights." So finding, the jury awarded punitive damages as follows:

Defendant	Amount
Bartco	$1,500,000
Bartolomeo	$3,000,000
Miracle	$ 75,000
Prugig	$2,500,000
Golio	$2,000,000
Lena and A.E.N.	$ 35,000
O'Reilly and Paddy O's	$ 40,000
Feigenbaum	$ 75,000

During the course of the trial, plaintiff's counsel withdrew certain of its claims in agreement with the District Court's suggestion that it would simplify the case and because they duplicated remedies available under the Lanham Act. On June 3, 1987, during plaintiff's case, petitioner withdrew its New York State claim of dilution of trademark value. (A 263; T, 6/3/87, 215) On June 9, 1987, petitioner withdrew the fourth

count, its state claim for false advertising. (A 268-272, T 6/9/87, 161-164) In asking that these claims be withdrawn, on June 9, 1987, the District Court stated, "I am trying to give the ultimate issues of fact to the jury. There are different theories of liability . . . that's for the court." (A 271; T, 6/9/87, 164) Getty never withdrew its state claim for unfair competition, Count III of the complaint.

On June 12, 1987, at the close of plaintiff's case, defendants made their perfunctory motions to dismiss. After denying the motions, the District Court considered requests to charge and asked petitioner's counsel whether, "the plaintiff has withdrawn all the legal theories except claim of trademark infringement." Getty's

counsel agreed. (A 272-273; T, 6/12/87, 18-19)

On June 17, 1987, the Court charged the jury. The Court defined trademark infringement as follows:

> Getty establishes the infringement of its mark when he proves by a preponderance of the evidence that the operator of the gasoline station knowingly sold non-Getty as Getty gas to the public.

(A 455) Contributory infringement was defined as follows:

> The liability or responsibility for trademark infringement goes beyond the actual infringer. One who knowingly and intentionally -- and I told you what knowingly means; that they were aware of what they were doing, intentionally means deliberately, not by mistake or negligence or any other event -- one who knowingly, intentionally, induces the infringement of a trademark and to continue the unlawful practice, or knowingly and intentionally participates in the practice is liable to

> damages to the owner of the mark.

(A 459-460) The Court, further, charged the jury that if it found a defendant infringed the Getty mark it should consider punitive damages:

> As to any defendant who you find acted willfully, intentionally and with a callous and reckless disregard to Getty's trademark rights, you are to fix punitive damages in such an amount as you find will deter others in engaging in trademark infringement. The amount you fix must be determined with calm discretion and sound reason and must never be fixed with bias, prejudice or sympathy.

(A 467) After charging the jury, the Court submitted the special verdict form consisting of 22 interrogatories, later supplemented by three additional interrogatories, asking the jury to make factual findings as to infringement and contributory infringement by each defendant for each station and

the damages caused by each. Interrogatory 19 asked whether the acts were done "willfully, intentionally and with a callous and reckless disregard for Getty's trademark rights." An affirmative answer to that question required the jury to designate the amount of punitive damages, if any, which should be awarded Getty. (A 114-122)

The defendants failed to object to the Court's charge on punitive damages. In fact, Bartco and Bartolomeo proposed their own charge on punitive damages. (C Ex. 6, 1st Trial) On June 18, 1987, the court rendered its verdict, assessing compensatory damages against each defendant and punitive damages in the amounts previously stated. (A 114-122)

B. RESPONDENTS' MOTION FOR JUDGMENT N.O.V. AND THE DISTRICT COURT'S JUNE 22, 1988 DECISION

After the jury rendered its decision respondents moved, orally, for judgment n.o.v. on the punitive damage award, on the grounds that the award went contrary to the weight of the evidence, or alternatively, to vacate the award as excessive and for a new trial pursuant to Fed. R. Civ. P. 59. (A 1323) Respondents never argued at the first trial in the District Court that punitive damages were unavailable under the Lanham Act.

On June 22, 1987, the District Court rendered its decision affirming the availability of punitive damages. (Appendix B) The Court cited Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981), a Second Circuit Lanham Act case which

upheld a $30,000 compensatory damage award and a $55,000 punitive award.[4] (Appendix B 5) The Court, however, ordered a remittitur of $350,000 against Bartco and Bartolomeo, jointly, and $150,000 against Golio, or a new trial, on the grounds that the amounts awarded were "so high as to shock the judicial conscience and constitute a denial of justice," citing Zarcone v. Perry, 572 F.2d 52 (2d Cir. 1978). (Appendix B 7) The Court upheld all other punitive recoveries.

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[4]This Court should know that plaintiff's trial counsel in this case defended on behalf of Kooltone, Inc., the Kooltone case.

C. **THE SECOND TRIAL**

Petitioner declined the remittitur and from July 13 through July 15, 1987, a second trial ensued limited to the issue of the amount of punitive damages, if any, to be assessed against respondents, Bartco, Bartolomeo and Golio. Respondents, Bartco and Bartolomeo, retained new counsel to defend this case. Neither Bartco, Bartolomeo nor Golio objected to the punitive damage charge during the second trial and Bartco and Bartolomeo, once again, proposed their own punitive damage charge. (A 136) On July 15, 1987, a second jury assessed punitive damages in the sum of $1,833,000 against Bartco and Bartolomeo and $172,000 against Golio. (A 154)

Following the verdict, Bartco, Bartolomeo and Golio moved for judgment n.o.v., or alternatively, a remittitur on the grounds that the second jury's awards of punitive damages were again excessive. (A 204-228) It was only after the second jury's verdict that the respondents, for the first time, challenged the availability of punitive damages under the Lanham Act.

The District Court, by decision dated August 25, 1987, denied respondents' motion in all substantive respects, except that the Court afforded respondents, Bartco and Bartolomeo, the opportunity to post security in lieu of a supersedeas bond. (Appendix C) The Court entered its judgment on July 16, 1987, (A 155)

and awarded $157,192 in attorney's fees on September 2, 1987. (A 365)

D. THE RULING OF THE COURT OF APPEALS

On appeal, respondents argued: (i) that punitive damages are not available under the Lanham Act; (ii) that the jury charge on punitive damages constituted plain error; and (iii) that Getty withdrew its state law claims. Getty cross-appealed[5] on the grounds that the District Court erred by vacating the first jury's punitive damage award as punitive damages need not be proportionate to

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[5]The Court of Appeals did not hear the cross-appeal, which was mooted by its decision. Should certiorari be granted, petitioner will ask this Court to remand the case to the Second Circuit for consideration of the cross-appeal.

compensatory damages and by not awarding enhanced damages.

The Court of Appeals ruled that punitive damages are not available in a Lanham Act case. (Appendix A) In reaching this result, the Court asserted jurisdiction to hear the issue, despite defendants failure to object to the punitive damage charge. Relying upon this Court's decision, City of Newport v. Fact Concerts, Inc., 453 U.S. 247 (1981), the Court of Appeals asserted that even in the absence of plain error, a circuit court of appeals may hear an issue where: (1) the question of law is important; (2) the question was presented to and decided by the court of first resort; and (3) "no interests in fair and effective trial administration advanced by Rule 51 would be

served by a refusal to reach it." (Appendix A 9-10) The Court concluded that, "what questions may be considered and decided for the first time on appeal are left primarily to our appellate discretion based on the circumstances of each individual case." (Appendix A 11) The Court of Appeals, furthermore, found that Getty's state law claim of unfair competition did not provide an alternative ground for the recovery of punitive damages as, "the jury considered only plaintiff's federal trademark infringement cause of action." (Appendix A 7)

The Court of Appeals remanded this case to the District Court to reconsider whether enhanced damages should be awarded pursuant to § 35 of the Lanham Act, 15 U.S.C. § 1117.

(Appendix A 27) Upon remand, the District Court granted Getty's motion to enhance the compensatory damage award and by amended judgment dated December 22, 1988, enhanced damages by the sum of $111,924.50.

REASONS FOR GRANTING THE WRIT

The three questions presented in this petition warrant review by this Court due to the important issues of federal law involved as well as the split in the Circuits on the questions presented as nos. 1 and 2.

First: the Second Circuit's refusal to bind itself to the express dictates of Fed. R. Civ. P. 51 created for that Circuit a rule allowing it to review any legal issue it deems appropriate. This Court, in City of Newport v. Fact Concerts, Inc., 453 U.S. 247 (1981), limited its decision

to circumstances in which it would review an issue by granting a writ of certiorari, and did not extend its decision to permit circuit courts to entertain challenges where an appellant failed to object to the jury charge at trial. By appropriating to itself the authority taken by this Court in Fact Concerts, the Second Circuit effectively nullified Rule 51. Furthermore, the Second Circuit and the Third Circuit stand alone in the belief that courts of appeals possess inherent authority to hear an issue where an appellant does not object to the jury charge. All other circuits will only entertain such an appeal in extraordinary cases involving plain error by the district court.

Second: the Court of Appeals' decision is inconsistent with Fed. R.

Civ. P. 49(a). Its failure to consider Getty's state law claim of unfair competition on the grounds that the District Court did not instruct the jury on that claim, overlooked the fact that where a special verdict form is used, a jury need only be instructed on the particular factual interrogatories before it. As a consequence of its decision, the Second Circuit stands alone in requiring that the law of the case go to the jury where a special verdict is submitted.

Third: in ruling that punitive damages are not available in a Lanham Act case, a question that the Court of Appeals itself determined to be of importance and one never decided by this Court, the Court overlooked the fact that nothing in the Lanham Act precludes a federal district court

from awarding punitive damages in an appropriate case. In an analogous situation, this Court authorized punitive damages in § 1983 cases under common law principles. Smith v. Wade, 461 U.S. 30 (1980).

POINT I

IN REACHING THE ISSUE OF PUNITIVE DAMAGES UNDER THE LANHAM ACT, THE CIRCUIT COURT ABROGATED THE EXPRESS DICTATES OF FED. R. CIV. P. 51 BY PERMITTING AN APPELLANT TO ASSIGN ERROR WITHOUT OBJECTING TO THE JURY CHARGE AND IN THE ABSENCE OF PLAIN ERROR

A. FED. R. CIV. P. 51 PROHIBITS AN APPELLATE COURT FROM REACHING THE MERITS OF A LEGAL ISSUE NOT PRESERVED BY AN OBJECTION TO THE JURY CHARGE

In reaching the merits of respondents' challenge to punitive damages in a Lanham Act case, the Second Circuit refused to be bound by Fed. R.

Civ. P. 51. Rule 51, in relevant part, provides:

> No party may assign as error the giving or the failure to give an instruction unless the party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection.

Not only did respondents fail to object to the jury charge on punitive damages in this case, but Bartco and Bartolomeo suggested a charge of their own at both the first and second trials. The respondents failed to object to the charge, yet in direct contravention of Rule 51, the Court of Appeals permitted the party to assign as error the very issue presented to the jury without objection.

The Second Circuit based its decision to reach the merits of the Lanham Act challenge on City of

Newport v. Fact Concerts, Inc., 453 U.S. 247 (1981) and attempted to fit the factors enumerated in that case to the circumstances of this action (See "Statement of the Case" Point D, supra). The Court of Appeals, however, went further and declared, "what questions may be considered and decided for the first time on appeal are left primarily to our appellate discretion based on the circumstances of each individual case." (Appendix A 11).

The Court of Appeals wrongly confused its discretion with that of this Court. In Fact Concerts, the Court held that punitive damages against municipalities are not available in an action brought pursuant to 42 U.S.C. § 1983, reaching that issue despite the municipality's failure to

object to the jury charge on punitive damages. The Court, in Fact Concerts, concluded that its jurisdiction to grant or decline certiorari would not be limited to the "plain error" standard applied by courts of appeals.[6] Finding that: (1) the question presented was novel, important and likely to recur; (2) it was presented and decided on a complete trial record before the district court and court of appeals and was fully briefed before the Supreme Court; and (3) a refusal to hear the issue would neither be in the interests of

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[6]In St. Louis v. Praprotnik, 108 S. Ct. 915 (1988), this Court again heard an issue, arguably where no objection was made to the jury charge. In Praprotnik, however, the issue was raised twice in the district court, by motion for summary judgment and motion for a directed verdict.

justice, nor advance efficient judicial administration, the Court resolved the case on the merits. 453 U.S. 247, 257. The Court stated, "while concluding that in this unusual case, the interest of justice warrants our plenary consideration . . . we express no view regarding the application of the plain-error doctrine by the Courts of Appeals," (citations omitted). 453 U.S. 247, 258, f.n. 16.

That this Court has not authorized circuit courts to hear issues previously waived is clear from other decisions. In Oklahoma City v. Tuttle, 471 U.S. 808, rehearing denied, 473 U.S. 925 (1985), the Court denied a Rule 51 objection, where the respondent raised the issue for the first time in one sentence of her Supreme Court brief, again at oral

argument and in a post-argument brief. The Court stated, "our decision to grant certiorari represents a commitment of scarce judicial resources with a view to deciding the merits of one or more of the questions presented in the petition." 471 U.S. 808, 816. On the other hand, the Court noted that its decision may well have differed had the objection been raised earlier:

> We do not mean to give short shrift to the provisions of Rule 51. Indeed, respondent's argument might have prevailed had it been made to the Court of Appeals.

471 U.S. 808, 815.

Indeed, in Springfield v. Kibbe, 480 U.S. 257 (1987), the Court, in a case strikingly similar to the one before it now, dismissed a writ of certiorari as improvidently granted, when it came to the Court's attention that not only did the petitioner fail

to object to the jury charge on gross negligence, but itself offered a gross negligence charge. In this case not only did the respondents not object to the charge of punitive damages, but counsel for Bartco and Bartolomeo twice proposed charges of their own.

While the Second Circuit took pains to suggest that its decision constituted a narrow exception to Rule 51, a close examination of the decision reveals, rather, a convenient expediency. While it is conceded that any legal issue which disposes of a case, if reached by a court of last resort, will not thereafter complicate the case, to allow parties to claim error on that basis constitutes a distortion of Rule 51 and is in this case simply unfair. What the Second Circuit deemed an exception to Rule 51

would, in practice, permit circuit courts of appeals to hear any legal issue they wish to reach.

Getty's counsel's remark to the trial court on June 12, 1987, that the only legal theory remaining in the case was for trademark infringement, occurred when the District Court considered both the plaintiff's and the defendants' request to charge. (A 272-273: T. 6/12/87, 18-19) Getty's counsel relied upon the fact that none of the defendants objected to the instruction on punitive damages and that Bartco and Bartoleomeo proposed their own charge.

Although the District Court discussed the availability of punitive damages in deciding respondents' motion for judgment n.o.v. at the first trial, it did so sua sponte.

Getty never received notice that punitive damages would be contested by the respondents. To the contrary, the District Court's reference to Quaker State Oil Refining Co. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981), gave petitioner no reason to doubt its rights during the ensuing proceedings. Kooltone approved a punitive damage award in a federal trademark action. Getty's counsel defended the Kooltone case and thus possessed first-hand knowledge that the decision included a finding that defendant's counsel failed to object to the jury instruction. Getty and Getty's counsel had every reason to believe that just as the verdict in Kooltone could not be

challenged on appeal, neither could the verdict in the instant case.[7]

Getty's decision to decline the remittitur, as well as to press the District Court for a determination of its right for punitive damages under its state law claims, rested upon prior controlling precedent which affirmed both the availability of the award and the unavailability of a challenge, absent objection to the jury charge.

The Second Circuit's reference to Singleton v. Wulff, 428 U.S. 106

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[7]It is likely that the Second Circuit reached out to hear this issue, not due to an inherent necessity, but rather due to its desire to correct what it perceived to be a mistake in the Kooltone case. If so, the court erred twice by attempting to correct an error of substantive law with an error of procedural law.

(1976), is somewhat astonishing. (Appendix A 11) In Wulff, this Court overturned the Eighth Circuit's decision to reach the merits of a Missouri statute excluding Medicaid benefits for abortions. The court found no need to remand to the district court on the grounds that the validity of the statute presented a purely legal question. In reversing that conclusion, the Supreme Court noted that a litigant should be entitled to present evidence on a question and, "even assuming that there is no such evidence, petitioner should have the opportunity to present whatever legal arguments he may have in defense of the statute." 428 U.S. 106, 120. In this case, the record shows that Getty never withdrew its unfair competition claim under New

York State law. A proper challenge to the punitive damage award, at the district court level would have allowed the District Court to rule on whether Getty properly preserved its state law claim.[8]

Given: (1) the reliance of both Getty and the District Court on Kooltone; (2) the failure of the defendants to challenge the availability of punitive damages before the

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[8]In Getty Petroleum Corp. v. Island Transportation Corp., 862 F.2d 16 (2d Cir. 1988), which the Second Circuit called the "Getty II" decision, the court distinguished an award of punitive damages under pendent New York State claims from recovery of punitive damages under the Lanham Act alone. It is hard to see any equitable basis for the court's determination of the punitive damage issue in Getty I, since it is undisputed that on the exact same facts, Getty could have recovered based upon a New York State claim.

District Court; (3) the right to recover punitive damages on the same set of facts under state law; and (4) the willful and egregious conduct of the defendants, the decision of the Second Circuit can only be viewed as harsh and inequitable. While the Second Circuit evidently wished to reach the punitive damage issue, even-handed treatment of Getty should have at least dictated that the Court, in issuing its decision, give Getty the right to a new trial on its state law claims. In analogous situations, where a rule of law mistakenly relied upon may cause undue hardship, appellate courts will consider making a ruling prospective in application. Simpson v. Union Oil Co., 396 U.S. 13, 14 (1969) (while holding that the rule should not be prospective in the same

case, the Court left open the possibility that the equities of a different case might persuade otherwise); Cipriano v. City of Houma, 395 U.S. 701, 706 (1969). The most equitable course of conduct, however, would simply have been to wait for the issue to be properly presented, before deciding it.

Unlike this Court, which only hears appeals as of right under limited circumstances, and issues of law on writ of certiorari in the exercise of its discretion, courts of appeals must hear all issues, properly preserved for review, as a matter of right from a final judgment or order. The issue which the Second Circuit, therefore, deemed of such importance, would be before it again in the near future. If not, the reason must be

that left unresolved it presented no problems to litigants in the district courts, itself negating the necessity for appellate review.

By deciding to reach the merits of this case, the Court of Appeals for the Second Circuit improperly equated its discretion and powers of review with that of this Court. By so doing, it degraded the plain language and purpose of Fed. R. Civ. P. 51 and the rights of the petitioner. A writ of certiorari should issue to correct this significant departure from proper appellate procedure.

B. A SPLIT IN THE CIRCUITS EXISTS AS TO WHETHER THE COURTS OF APPEALS ARE BOUND BY RULE 51 IN THE ABSENCE OF PLAIN ERROR

The Federal Reporter System is replete with cases from each of the Circuits which hold that failure to object to proposed jury instructions in accordance with Rule 51 precludes appellate review. 5A J. Moore and J. Lucas, Moore's Federal Practice, par. 51.04, pp. 51-13 to 51-20, note 3 (1988); 9 C. Wright & A. Miller, Federal Practice and Procedure, § 2553, p 639, nn. 51-52 (1971).[9]

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[9]Three examples in civil rights litigations, precluding review where defendant made no objection to the court's charge of exemplary damages are: Basista v. Weir, 340 F.2d 74 (3rd Cir. 1965); Burns v. Travelers Insurance Company, 344 F.2d 70 (5th Cir. 1965); Great-West Life Assurance Company, v. Levy, 382 F.2d 357 (10th Cir. 1967).

Before this Court decided City of Newport v. Fact Concerts, Inc., 453 U.S. 247 (1981), general unanimity in the circuits existed that failure to object to a jury charge precludes appellate review except in extraordinary circumstances of plain error. As once stated by the Second Circuit in Air Et Chaleur, S.A. v. Janeway, 757 F.2d 489 (2d Cir. 1985), "we may review a jury charge for error absent timely objection by the harmed party only where the error is 'plain and may result in a miscarriage of justice' . . . or 'in obvious instances of . . . misapplied law,'" (citations omitted). 757 F.2d 489 at 494. Nevertheless, in the wake of City of Newport v. Fact Concerts, Inc., 453 U.S. 247 (1981), considerable confusion in the circuits now exists as to whether they are

required to decline appellate review pursuant to Fed. R. Civ. P. 51, in the absence of plain error, where the appellant failed to object to the jury charge at trial.

Of the circuit courts which considered the question, the Eleventh Circuit continues to consider itself bound by the plain error standard. Thus, in Barnett v. Housing Authority of City of Atlanta, 707 F.2d 1571 (11th Cir. 1983) and again, more recently, in Osterneck v. E.T. Barwick Industries, Inc., 825 F.2d 1521, 1533 (11th Cir. 1987), cert. granted, 108 S. Ct. 2042 (1988), the court declined to depart from the plain error exception to Rule 51, despite citing and discussing Fact Concerts. Similarly, the First Circuit, in Emery-Waterhouse Co. v. Rhode Island Hospital Trust

National Bank, 757 F.2d 399 (1st Cir. 1985), and again in Elwood v. Pina, 815 F.2d 173 (1st Cir. 1987), invoked the plain error rule. While in Pina the court distinguished Fact Concerts, the court made no finding that upset the plain error standard.

The Second Circuit, in this case, appears to be the first Circuit Court of Appeals to actually rely upon Fact Concerts, as authority to review an issue, where the appellant failed to object to the jury charge.

Other Circuit Courts, however, while not actually reaching the merits of issues not properly preserved for appeal, hazarded the opinion that Fact Concerts creates an exception to the plain error standard. The Seventh Circuit refused to review a jury charge which allowed the jury to award

punitive damages, if the jury believed "that justice and the public good require it," on the grounds that the doctrine of plain error does not protect parties from "the consequences of their decisions in civil litigation," in Williamson v. Handy Button Machine Co., 817 F.2d 1290, 1295 (7th Cir. 1987). Nevertheless, the Seventh Circuit therein noted that Fact Concerts created a possible exception to the plain error rule. More recently, the Seventh Circuit in Williams v. Boles, 841 F.2d 181 (7th Cir. 1988), cited Fact Concerts, for the proposition that "[w]hen law in the process of transition overtakes the events of trial, a court sometimes may correct what in retrospect is an error, even if the objection at the time was inadequate." 841 F.2d 181, 184. The

Seventh Circuit, however, refused to hear the challenge to a "severe injury" instruction, where plaintiff's counsel himself proposed a form of such an instruction.

Similarly, although the Third Circuit distinguished Fact Concerts, in Black v. Stevens, 662 F.2d 181 (3rd Cir. 1981), cert. denied, 455 U.S. 1008, reh. denied, 456 U.S. 950 (1982), the court in Weaver v. Bowers, 657 F.2d 1356 (3rd Cir. 1981) cert. denied, 455 U.S. 942 (1982), relied upon Fact Concerts, to review the denial of defendant's claim of failure to state a cause of action, raised for the first time in a motion for judgment n.o.v. Although not directly implicating Rule 51, as Bowers did not involve a jury charge, the Court of

Appeals called its decision to reach untimely issues an "inherent power."

It is evident that the circuits are split as to whether in light of Fact Concerts, they are bound by Rule 51. This Court should grant certiorari to set forth clear guidelines as to when a claim of error may be heard on appeal.

POINT II

THE COURT OF APPEALS UNDERMINED THE PURPOSE OF FED. R. CIV. P. 49(a) IN HOLDING THAT PETITIONER WAIVED ITS STATE LAW CLAIMS DUE TO THE FAILURE TO INSTRUCT THE JURY ON THE LAW OF UNFAIR COMPETITION, AS THE SPECIAL VERDICT FORM SUBMITTED CONTAINED ONLY FACTUAL FINDINGS THAT WARRANTED EITHER THE DISTRICT COURT, OR THE COURT OF APPEALS, TO ENTER JUDGMENT ON PETITIONER'S STATE LAW CLAIM OF UNFAIR COMPETITION, AS A MATTER OF LAW

Fed. R. Civ. P. 49(a) governs the use by district courts of special verdicts. The rule, specifically, does not require the court to charge

the jury on the complete law of the case, but only that the court:

> Give to the jury such explanation and instruction concerning the matter thus submitted as may be necessary to enable the jury to make its findings upon each issue.

The use of a general verdict requires that the jury receive complete instructions on the law for each count in the complaint to insure that the verdict is not the result of a mistaken notion of the rights of the parties. With a special verdict, on the other hand, only those instructions relevant to the factual interrogatories comprising the verdict need be given.

The trial record plainly discloses that Getty never withdrew its claim for state law unfair competition, a species of which is common law

trademark infringement. The Second Circuit, however, dismissed as unimportant the existence of this claim in the pleadings, citing Bass v. Hoye, 766 F.2d 1190 (8th Cir. 1985), for the rule that "what are pertinent are the theories of recovery actually charged to the jury." (Appendix A 7) The Second Circuit made the serious error of applying the rule applicable to general verdicts, when no findings of fact are made. In this case, on the other hand, the jury's finding of trademark infringement supported recovery under both the Lanham Act and the state common law of unfair competition and merely required an application of law to the facts in rendering judgment.

The flexibility of Rule 49(a) allows entry of a judgment even where

the jury failed to make findings of fact determinative of a cause of action. In that situation the District Court is required to supply the missing finding of fact, without the jury.

Case law is consistent in holding that the trial judge need not instruct the jury on the legal application of the factual findings comprising the special verdict. In Cate v. Good Bros., Inc., 181 F.2d 146 (3rd Cir.), cert. denied 340 U.S. 826 (1950), the court did not instruct the jury on the legal principles involving mitigation of damages, but rather propounded factual interrogatories which permitted the trial court to decide that issue. The court noted, "the jury did not require information or guidance concerning the legal principles which

the judge would apply to their findings." 181 F.2d 146, 149. In Thedorf v. Lipsey, 237 F.2d 190 (7th Cir. 1956), the court upheld the district court's refusal to instruct the jury on the effect of a finding of comparative negligence, despite a jury request for such instruction. The court noted that under Rule 49(a) the trial court is responsible to apply legal principles to the facts and that, "the jury is not entitled to information concerning the legal principles which the judge will apply to their findings." 237 F.2d 190, 193. As the Second Circuit once noted in Ratigan v. New York Central Railroad Co., 291 F.2d 548 (2d Cir.), cert. denied, 368 U.S. 891 (1961), where a special verdict is taken pursuant to Rule 49(a), "the trial judge reserves

a large measure of control over the judgment to be entered, in the interest of substantial justice between the parties." 291 F.2d 548, 555.

The Second Circuit highlighted the fact that Getty's counsel agreed that no legal theories remained in the case, other than trademark infringement. Getty's counsel, however, never limited plaintiff's rights to the Lanham Act, agreeing only that "trademark infringement" constituted the theory of the case. (A 272-273, T. 6/12/87, 18-19). The right to recover for trademark infringement can be brought under both the Lanham Act and pursuant to the common law of unfair competition and both those grounds remained in the case.

It is in this context that the Circuit Court erred in the conclusion

that, "no unfair competition issues were presented on the special verdict form for the jury to decide." (Appendix A 8) Trademark infringement is but a form of unfair competition.

As this Court stated in Hanover Star Milling Co. v. D. D. Metcalf, 240 U.S. 403 (1916):

> "Courts afford redress or relief upon the ground that a party has a valuable interest in the good will of his trade or business, and in the trademarks adopted to maintain and extend it. The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another . . .
>
> This essential element is the same in trademark cases as in cases of unfair competition unaccompanied with trademark infringement. In fact, the common law of trademarks is but a part of the broader law of unfair competition. (Citations omitted) (Emphasis added).

240 U.S. 403, 412-413. It is, therefore, an inescapable conclusion that a finding of trademark infringement necessitated a finding of unfair competition.[10]

Rule 49(a) certainly allowed both the District Court and the Court of Appeals to uphold the jury verdict on

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[10]The court's statement in D.D. Metcalf is entirely consistent with New York State law. In Dell Publishing Co. v. Stanley Publications, Inc., 9 N.Y.2d 126, 211 N.Y.S.2d 393 (1961), the New York Court of Appeals stated, "it is fundamental that the substantive law of trademarks is merely a portion of the broader law of unfair competition . . . and that it is intended to discourage and restrain one from palming-off his goods and/or their origin as the goods of another." 9 N.Y.2d 126, 133. New York's Pattern Jury Instructions, a work relied upon by New York's trial courts in charging juries, states that New York courts "have concurrent jurisdiction to enforce rights arising out of the Lanham Act," N.Y. PJI, Supp., § 3.58, p. 217.

unfair competition grounds, as a matter of law, consistent with the presumption, on appeal, which favors sustaining a judgment correctly rendered, even where the grounds cited were in error. See, Helvering v. Gowrin, 302 U.S. 238 (1937), reh. denied, 302 U.S. 781 (1938); Continental Can Co., Inc. v. Horton, 250 F.2d 637 (8th Cir. 1957).

The Second Circuit in this case failed to articulate any basis in which the respondents would have been prejudiced by an affirmation of petitioner's judgment on unfair competition grounds, even were petitioner to agree, arguendo, that petitioner raised its unfair competition claim for the first time on appeal. As stated in Universe

Tankships, Inc. v. United States, 528 F.2d 73 (3rd Cir. 1975):

> [A] different theory of recovery may not be urged on appeal where prejudice would result to the other party. The test for prejudice in this context is whether the other party "had a fair opportunity to defend and whether it could offer any additional evidence on the different theory," (Citations omitted).

528 F.2d 73, 76. Indeed, the defenses that the respondents could muster against the unfair competition claims differed, not a wit, from those raised under the Lanham Act. No prejudice on the record exists which militated against the Court of Appeals upholding the punitive damage award on state law grounds.

The respondents are simply unable to claim that they would have defended the case differently had the District Court asked the jury whether the

respondents unfairly competed with Getty. Such an interrogatory would have necessitated the further instruction that trademark infringement is merely a portion of the broader law of unfair competition and if the jury finds that the respondents infringed Getty's trademark, it must also find the respondents competed unfairly with the petitioner. The absence of that interrogatory and those instructions were not prejudicial. The prejudice to the petitioner and the public, on the other hand, by not sustaining the judgment on the basis of a different theory of recovery, is substantial. Respondents were thereby permitted to escape punishment meted out by two different juries. The two very substantial jury awards evidence the voice of the people as to

the seriousness of the respondents conduct, affecting not only the petitioner, but the public generally. That conduct was so significant that it warrants punishment in the form of substantial punitive damage awards.

The Second Circuit, by concluding that Getty's right to recover depended upon the instructions given to the jury on the legal theories of recovery, erred. The value of Rule 49(a) of the Federal Rules of Civil Procedure is to permit the court to charge the jury on only that which is necessary to make findings of fact. The application of law to fact is strictly for the court. The Second Circuit's decision would render ineffective Rule 49(a), by mandating that the jury instructions for a special verdict be identical to those for a general

verdict. The decision, as it stands, undermines the utility of the special verdict and should be reviewed in light of the purposes behind Fed. R. Civ. P. 49(a).

POINT III

THE FEDERAL COURTS ARE AUTHORIZED TO CHARGE PUNITIVE DAMAGES IN AN APPROPRIATE CASE

Although punitive damages are not specifically authorized by the Lanham Act, neither are they excluded by that Act. In such cases, it is within the power of the federal judiciary to determine whether an award of punitive damages is appropriate. Morrissey v. National Maritime Union of America, 544 F.2d 19, 24 (2d Cir. 1976); Basista v. Weir, 340 F.2d 74, 87 (3rd Cir. 1965). In this case, where respondents willfully violated petitioner's federally protected trade-

mark, resulting in a fraud upon the public, punitive damages were an appropriate remedy.

This Court recently considered the question of the availability of punitive damages in § 1983 actions notwithstanding the fact that no statutory provision authorizes that remedy. Smith v. Wade, 461 U.S. 30 (1983). Noting that the common law of torts allows the recovery of punitive damages where a defendant's conduct is outrageous because it results from an evil motive or reckless indifference to the rights of others, 461 U.S. 30, 46-47, the Court went on to note that it could "discern no reason why a person whose federally guaranteed rights have been violated should be granted a more restrictive remedy than

a person asserting an ordinary tort cause of action." 461 U.S. 30, 48-49.

In approving a punitive damage charge the Court, in Wade, focused upon reasons of policy equally present in this case:

> This common-law rule makes sense in terms of the purposes of punitive damages. Punitive damages are awarded in the jury's discretion "to punish [the defendant] for his outrageous conduct and to deter him and others like him from similar conduct in the future." Restatement (Second) of Torts § 908(1) (1979). The focus is on the character of the tortfeasor's conduct -- whether it is of the sort that calls for deterrence and punishment over and above that provided by compensatory awards. If it is of such a character, then it is appropriate to allow a jury to assess punitive damages; and that assessment does not become less appropriate simply because the plaintiff in the case faces a more demanding standard of actionability. To put it differently, society has an

> interest in deterring and punishing all intentional or reckless invasions of the rights of others, even though it sometimes chooses not to impose any liability for lesser degrees of fault.

461 U.S. 30, 54-54. The societal interest in punishing what constituted a fraud on the public in this case, should not be underestimated.

Similarly, in Carlson v. Green, 446 U.S. 14 (1980), the Court, noting that punitive damages may be awarded in a Bivens suit, stated, "[p]unitive damages are 'a particular remedial mechanism normally available in the federal courts' . . . and are especially appropriate to redress the violation by a Government official of a citizen's constitutional rights." 446 U.S. 14, 22. While petitioner's constitutional rights were not violated in this case, important federal

rights were violated and the public itself damaged by the conduct of the respondents.

In this case, it is not contested that punitive damages would have been available to Getty under state law. There is no valid reason, then, for restricting that availability with respect to petitioner's federally guaranteed trademark rights. Here, as in Smith v. Wade, respondents' "reckless or callous disregard for the plaintiff's rights, as well as intentional violations of federal law, should be sufficient to trigger a jury's consideration of the appropriateness of punitive damages". 461 U.S. 30, 51.

CONCLUSION

For all of the above reasons, this Court should issue a writ of

certiorari, as prayed for herein, to review the opinion and judgment of the United States Court of Appeals for the Second Circuit.

Dated: Garden City, New York
February 4, 1989

Respectfully submitted,

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88-1335

No.

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CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

– against –

BARTCO PETROLEUM CORP.,
NICHOLAS J. BARTOLOMEO,
ANTHONY GOLIO,

Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 494, 495, 496—August Term 1987

(Argued January 13, 1988 Decided September 22, 1988)

Docket Nos. 87-7668, 87-7674, 87-7770

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,
Cross-Appellant,

—v.—

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.N. TRUCKING, CORP., PATRICK O'REILLY, PADDY O'S SERVICE INC., and DANIEL J. FEIGENBAUM,

Defendants,

ANTHONY GOLIO, BARTCO PETROLEUM CORP., and NICHOLAS J. BARTOLOMEO,

Defendants-Appellants.
Cross-Appellees.

Before:

LUMBARD, CARDAMONE, and PRATT,
Circuit Judges

Defendants Bartco Petroleum Corp., Nicholas Bartolomeo, and Anthony Golio appeal from a final judgment entered in the United States District Court for the Eastern District of New York (Mishler, J.) on July 16, 1987 (amended August 12, 1987 and clarified September 17, 1987) finding them liable to plaintiff Getty Petroleum Corp. under the Lanham Act for compensatory and punitive damages and enjoining their further use of the "Getty" mark. Defendants also appeal from the district court's August 25, 1987 decision and order denying their motion for a j.n.o.v. and remittitur as to punitive damages and its September 2, 1987 decision and order awarding plaintiff its attorney fees. Getty Petroleum Corp. cross-appeals against the above-named defendants from the district court's June 22, 1987 decision and order granting defendants' motion to vacate the original jury's punitive damages award and denying plaintiff's motion for enhanced compensatory damages.

Affirmed in part, reversed in part and remanded.

CLIFFORD J. CHU, Great Neck, New York (Hayt, Hayt & Landau, Attorneys for Defendants Bartco Petroleum Corp.; Roy Broudny, P.C.; Ralph Pernick, Great

Neck, New York, all of counsel), *for Defendants-Appellants Cross-Appellees Bartco Petroleum Corp. and Nicholas J. Bartolomeo.*

LAWRENCE A. BERGER, Great Neck, New York, *for Defendants-Appellants Cross-Appellees Anthony Golio and Prugig Realty Corp.*

ROBERT G. DEL GADIO, Garden City, New York (Harry R. Dreizen, of counsel), *for Plaintiff-Appellee Cross-Appellant Getty Petroleum Corp.*

CARDAMONE, *Circuit Judge*:

The purposes underlying the Lanham Trademark Act of 1946 are to protect the public so it may buy a product bearing a particular trademark with confidence that it will get the product it wants and to protect the holder of the mark's investment in time and money from its misappropriation by pirates and cheats. The defendants-appellants on this appeal violated the Lanham Act by infringing the "Getty" trademark "willfully, intentionally and with a callous and reckless disregard" for plaintiff's rights.

The question before us—one neither this court nor the Supreme Court have expressly ruled upon—is whether punitive damages may be imposed against a trademark infringer under § 35 of the Lanham Act. The district court thought that punitive damages could be imposed and permitted a jury award for plaintiff of over $2 million in such damages against appellants to stand. Under the statutory scheme the emphasis is on an award constituting "com-

pensation and not a penalty," and a plaintiff's entitlement to recover such an award is "subject to the principles of equity." Punitive damages therefore constitute judicial punishment that under the Lanham Act does not fit the crime.

BACKGROUND

The Federal Trade Commission, as a condition to its approval of the 1984 purchase of Getty Oil Company (Getty) by Texaco, Inc. (Texaco), required Texaco to transfer the "Getty" tradename and trademark and to divest itself of the acquired company's northeastern marketing facilities. *See Russo v. Texaco, Inc.*, 630 F. Supp. 682 (E.D.N.Y.), *aff'd*, 808 F.2d 221 (2d Cir. 1986). Power Test Corp. bought Getty's northeastern business in February 1985 from Texaco and obtained an exclusive trademark license for the "Getty" marks. On July 11, 1985 ownership of the "Getty" marks was transferred to Power Test, which thereupon changed its name to Getty Petroleum Corp. (Getty Petroleum). Getty Petroleum continued the business formerly conducted by Getty and is the plaintiff in the instant litigation.

Appellants Anthony Golio, Bartco Petroleum Corp. (Bartco), and Nicholas Bartolomeo—along with their eight codefendants—owned and operated three retail Getty gasoline service stations in Oceanside, New Hyde Park, and Garden City Park, New York, respectively. From February 1985 to April 1986 these service stations sold gasoline purchased from sources other than Getty Petroleum in violation of their franchise agreements with Getty. Getty Petroleum sued appellants in January 1986 alleging infringement of the registered "Getty" trademark and service mark and wrongful use in commerce of false

designations of origin, false descriptions, and false representations in violation of the Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051, 1114(1), 1116-1118, and 1125(a) (Lanham Act). Plaintiff also alleged unfair competition under the common law and various violations of state law, including dilution of trademark value, false advertising, and breach of contract.

There have been two jury trials of this suit. We briefly set out the events in those trials that relate to this appeal. At the first trial in June 1987, the jury found appellants Bartco, Bartolomeo, and Golio—along with their codefendants—had violated the Lanham Act by infringing Getty Petroleum's trademark rights "willfully, intentionally and with a callous and reckless disregard" for the latter's rights. It awarded plaintiff compensatory damages totalling $107,579.75. The jury assessed in addition $6.5 million in punitive damages for the Lanham Act violations against Bartco ($1.5 million), Bartolomeo ($3 million), and Golio ($2 million).

Following that verdict, defendants moved, *inter alia*, for a judgment notwithstanding the verdict (j.n.o.v.) pursuant to Fed. R. Civ. P. 50(b) or, alternatively, for a new trial on the issue of punitive damages pursuant to Fed. R. Civ. P. 59. Plaintiff moved for increased compensatory damages pursuant to § 35 of the Lanham Act. Interpreting *Quaker State Oil Ref. Corp. v. Kooltone, Inc.*, 649 F.2d 94 (2d Cir. 1981), as approving punitive damages as a remedy under the Lanham Act, the district judge denied defendants' motion for a j.n.o.v. but nonetheless vacated the award of punitive damages as against the appellants, finding it "so high as to shock the judicial conscience and constitute a denial of justice," *Zarcone v. Perry*, 572 F.2d 52, 56 (2d Cir. 1978). The trial judge denied plaintiff's

request for increased compensatory damages, but ordered a new trial on the issue of punitive damages, unless plaintiff agreed to a remittitur, which Getty Petroleum refused.

A second jury trial solely on the issue of Bartco's, Bartolomeo's, and Golio's liability for punitive damages was therefore held before the same district court judge a month later in July 1987. The second jury awarded over $2 million punitive damages to Getty Petroleum—$1,833,000 from Bartco and Bartolomeo, jointly, and $172,000 from Golio. Defendants again moved for a j.n.o.v. or, alternatively, a remittitur, which Judge Mishler denied. Finally, in a decision and order dated September 2, 1987 the district court assessed attorney fees of $157,192 and costs against Bartco and Bartolomeo severally and jointly with eight codefendants.

Bartco, Bartolomeo, and Golio appeal from the award of punitive damages for the Lanham Act violations and from the assessment of attorney fees and costs. Plaintiff Getty Petroleum cross-appeals from the order vacating the first jury's award of punitive damages and denying its motion for enhanced compensatory damages.

DISCUSSION

I *Punitive Damages Under § 35 of the Lanham Act*

A. Threshold Issues

Getty Petroleum urges us not to reach the question of whether § 35 of the Lanham Act, 15 U.S.C. § 1117(a) (Supp. IV 1986), authorizes punitive damages for infringement of a registered trademark. It argues first that it presented an overall claim of unfair competition of which its Lanham Act cause of action was only a part, and that the

jury's punitive damages award could be justified under a common law unfair competition theory and its state law claims. Second, plaintiff asserts that defendants' failure to object to the district court's jury charge on punitive damages waived any objection under Fed. R. Civ. P. 51.

We need not address whether plaintiff proved a common law unfair competition or state law claim or whether punitive damages are available under those theories because the record before us reveals that the jury considered only plaintiff's federal trademark infringement cause of action. Although plaintiff's complaint purported to state contract and common law unfair competition claims and various causes of action under the Lanham Act and the New York General Business Law, such allegations are irrelevant. What are pertinent are the theories of recovery actually charged to the jury. *Baas v. Hoye*, 766 F.2d 1190, 1194 (8th Cir. 1985).

The record discloses that on June 3, 1987—early in the first trial—plaintiff withdrew its claim for injury to its good will and reputation. On June 9 plaintiff withdrew its New York General Business Law claims for dilution of trademark value and false advertising and its breach of contract claims pertaining to the franchise agreements. During an on-the-record discussion of plaintiff's requested jury charges, the trial judge was of the opinion that plaintiff had withdrawn all its asserted causes of action, except its claim of trademark infringement. Plaintiff's counsel agreed that no other legal theories remained in the case.

The district court charged the plaintiff's theory of damages to the first jury in the following words

> The Plaintiff, Getty Petroleum, brings this action claiming trademark infringement in the sale of gaso-

> line by operators of three gasoline service stations. . . . They also claim a false description of the nature and quality of the gasoline sold to the public by using the Getty Trademark for the sale of non-Getty unleaded gasoline. The claims are based on two particular sections of an act of Congress commonly called the Lanham Act.

Further, the jury's special verdict form premised the imposition of punitive damages on a finding that appellants willfully infringed the "Getty" trademark with a "reckless disregard for Getty's trademark rights." No unfair competition issues were presented on the special verdict form for the jury to decide. Finally, the district judge apparently assumed both in its decision vacating the first punitive damages award (but approving punitive damages as a remedy under the Lanham Act) and during the second trial that the sole basis for awarding punitive damages was appellants' willful infringement of Getty Petroleum's trademark rights.

Thus, the theory for recovery of punitive damages "actually submitted to the jury," *Baas*, 766 F.2d at 1194, was willful infringement of the registered Getty trademark. Accordingly, we need not consider plaintiff's alternative unfair competition theory. *See id.* (refusing to consider plaintiff's common law negligence claim where case was submitted to jury solely as a federal statutory violation); *National Equip. Rental, Ltd. v. T.G. Stanley*, 283 F.2d 600, 603 (2d Cir. 1960) ("[C]ourt and counsel tried the case below on the assumption that [whether a transaction was a loan or not] was the only question. The issues cannot now be changed on appeal."). *Cf. North Am. Leisure Corp. v. A & B Duplicators, Ltd.*, 468 F.2d 695, 699 (2d Cir. 1972) (remanding for consideration of party's

artisan's lien claim which was abandoned below: although "an appellate court is not absolutely barred from considering legal theories not relied on below, . . . it must exercise such power with due regard to orderly procedure and fairness to the parties.").

Plaintiff's second reason urging us not to reach the punitive damages question is more troublesome. Fed. R. Civ. P. 51 provides in part, "No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict . . . ." Thus, the procedural hurdle posed by the appellants' failure to object to the jury charge on punitive damages under the Lanham Act would seem unsurmountable. Concededly, as a general rule a party's failure to object to an instruction on punitive damages would preclude our considering on appeal that party's argument against an award of such damages. Yet despite the careful wording of Rule 51, we may under particular circumstances—and even absent a timely objection—consider whether a jury instruction is legally proper.

Precedent for such consideration is found, for example, in a case with a similar procedural history, *City of Newport v. Fact Concerts, Inc.*, 453 U.S. 247 (1981). There, the Supreme Court reviewed a municipal defendant's argument that it was error to charge a jury that 42 U.S.C. § 1983 authorized the award of punitive damages against it, even though the city had failed to object to that charge. The district court in that case had discussed and ruled upon the city's challenge to the punitive damages instruction when deciding a post-trial motion, though the challenge was not timely made under Rule 51. *Id.* at 253-54. The Supreme Court ruled that because the punitive damages issue was novel, important and likely to recur and

"the question was squarely presented and decided on a complete trial record by the court of first resort, was argued by both sides to the Court of Appeals, and has been fully briefed before this Court," *id.* at 257, it was convinced that "no interests in fair and effective trial administration advanced by Rule 51 would be served if we refused now to reach the merits ourselves," *id.* at 256. *See* 5A J. Moore, *Moore's Federal Practice* ¶ 51.04 (2d ed. 1988).

The Supreme Court declined to limit its review to a "plain error" standard. *City of Newport*, 453 U.S. at 256-57. As the Court explained, " 'Plain error' review under Rule 51 is suited to correcting obvious instances of injustice or misapplied law." *Id.* at 256. However, the Court concluded that a district "court's interpretation of the contours of municipal liability . . . hardly could give rise to plain judicial error since those contours are currently in a state of evolving definition and uncertainty." *Id.* We have employed the "plain error" exception to Rule 51 in order to reach issues not timely objected to in the trial court. *E.g.*, *Williams v. City of New York*, 508 F.2d 356, 362 (2d Cir. 1974); *see generally Air et Chaluer, S.A. v. Janeway*, 757 F.2d 489, 494 (2d Cir. 1985) (discussing "plain error" doctrine). Despite defendants' arguments to the contrary, we believe that lacking clear precedent, the district court's punitive damages jury charge was not "plain error."

More recently, in *Rebaldo v. Cuomo*, 749 F.2d 133 (2d Cir. 1984), *cert. denied*, 472 U.S. 1008 (1985), we reviewed the appellant's principal argument—whether a New York statute was preempted by the Employee Retirement Income Security Act—though the appellant had not challenged the state statute in the district court. In support of

this deviation from the general rule against considering an issue not objected to in the trial court, we said that "[b]ecause the district court examined the issue of relationship in some detail and because that court's decision has broad legal ramifications and concerns the validity of a State statute," *id.* at 137, it was appropriate for review. Again, we found it significant that the parties also briefed and argued the preemption issue, and "the issue is solely one of law the determination of which could not be altered by appellee's producing additional evidence." *Id.* Thus, despite its language Rule 51 should not be applied inflexibly. What questions may be considered and decided for the first time on appeal are left primarily to our appellate discretion based on the circumstances of each individual case. *See Singleton v. Wulff*, 428 U.S. 106, 121 (1976).

Here, Judge Mishler addressed the propriety of awarding punitive damages for a violation of plaintiff's federal trademark rights, resting his decision—which has "broad legal ramifications"—on his impression of Second Circuit authority rather than on Rule 51 procedure. Further, the issue of whether punitive damages may be recovered for a Lanham Act violation was fully briefed and argued before us. And, significantly, no Supreme Court precedent governs this important question under § 35 of the Lanham Act, nor have we ruled on it. Finally, the resolution of these purely legal arguments will not require further proceedings on that point in the district court. Consequently, the circumstances of the instant case warrant an examination of the merits of this Lanham Act issue and "no interests in fair and effective trial administration advanced by Rule 51 would be served" by a refusal to reach it.

B. § 35 and Punitive Damages

Having overcome both initial obstacles, we turn to consider the central issue presented—whether the district court erred when it found that § 35 of the Lanham Act authorized the jury to award punitive damages against the defendants for willful infringement of the "Getty" mark. To decide this question requires an examination of the Lanham Act's language, its legislative history, and relevant case law.

1. *Statutory Language*

Analysis commences with § 35's plain language. "Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985) (construing Lanham Act provision). Moreover, "[a]bsent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive." *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980).

Section 35 of the Lanham Act provides

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . In assessing damages the court may enter judgment, according to the circumstances of the case, for any

> sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a) (Supp. IV 1986).

As can be seen, three nonexclusive monetary remedies are provided: recovery of defendant's profits, of any damages sustained by plaintiff, or of the costs of the action. Unlimited enhancement or reduction of an award based on defendant's profits is permitted in order to correct inadequacy or excessiveness. Where—as here—the recovery is based on the plaintiff's damages, the court—not the jury—may enhance the award up to three times the amount of actual damages. Such enhancement functions as "compensation *and not a penalty*." (emphasis supplied).

No mention of punitive damages is made in this comprehensive statutory recovery scheme for infringement of a registered mark. Drawing from the statute's plain language, it is apparent that Congress did not allow for punitive damages as a remedy for holders of infringed marks. Nevertheless, the legislative history must be carefully plumbed to see if a congressional purpose contrary to that reading of the statutory language may be ascertained.

2. *Legislative History*

The legislation ultimately enacted as the Lanham Act or Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1982 & Supp. IV 1986)), was conceived at a 1920 meeting of the American Bar Association's Patent Section. *See* J. McCarthy, 1 *Trademarks and Unfair Competition* § 5:4 (2d ed. 1984). In 1921 an A.B.A. committee formed by the Patent Section returned a draft of the bill—proposed to Congress first as the "Ernst Bill," then as the "Vestal Bill"—designed to revise the already inadequate Trademark Act of 1905, Pub. L. No. 58-84, 33 Stat. 724 (1905) (1905 Act). Both of these bills were the subject of congressional hearings and revisions until 1937. *See* 1 J. McCarthy, *supra*, at § 5:4; Koelemay, *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 481 (1982). In 1938, Congressman Lanham introduced a new bill largely based on the notes of A.B.A. trademark committee member Edward Rogers. *See* Rogers, *The Lanham Act & the Social Function of Trademarks*, 14 Law & Contemp. Probs. 173, 180 (1949). After a number of revisions, a draft finally met with the approval of both Houses of Congress and the Lanham Act was signed into law on July 5, 1946.

(a) The 1905 Act

A brief review of the background of the 1905 Act is helpful. Consistent with the merger of law and equity, § 35 of the Lanham Act, currently 15 U.S.C. § 1117(a), incorporated § 16 from the 1905 Act, 33 Stat. 728 (remedy at law for registered trademark infringement), as well as § 19, 33 Stat. 729 (remedy in equity). Both § 16 and § 19

of the 1905 Act gave the district court discretion to increase an award of actual damages up to three times its amount. In addition § 19 allowed for recovery in equity based on an infringer's profits Section 35 of the Lanham Act echoes these earlier recovery provisions. Significantly, neither § 16 nor § 19 contained provisions for punitive damages.

Although the patent law models for the 1905 Act authorized increased damages as a punitive concept, *see* Koelemay, *supra*, at 479-80, there is evidence that the 1905 Act's discretionary enhancement provision was remedial rather than punitive in nature. As the House Report on the 1905 Act explains, enhancement was partly justified by the difficulty of proving actual damages. The provision was

> new in the law of trade-marks. Similar provisions exist in the copyright and patent laws . . . . The difficulty of proving exact damages in cases of this character is well understood. . . . [T]he Government, which has made provision for the registration of trade-marks, should accord to the owners thereof . . . full and complete redress for violation of their rights.

H.R. Rep. No. 3147, 58th Cong., 3d Sess. 9 (1904); *see* S. Rep. No. 3278, 58th Cong., 3d Sess. 10 (1905) (same language).

The 1905 Act's enhancement provision—substantially repeated in § 35 of the Lanham Act—was included to enable courts to redress fully plaintiffs whose actual damages were difficult to prove. When the enhancement provisions of the 1905 Act were transported into § 35 of the Lanham Act they carried with them the same conceptual baggage, that is to say, of being remedial and not punitive in nature. Further, at the time of the Lanham Act's pas-

sage, there were no reported cases in which judges had exercised their discretionary power to increase actual damages under § 16 or § 19 of the 1905 Act. *See* 2 J. McCarthy, *supra*, at § 30:28(B). Thus, the 1905 Act's language, history, and judicial construction give no affirmative indication that when Congress enacted § 35 of the Lanham Act—basing its recovery scheme in part on the 1905 Act—it aimed to furnish punitive damages as a remedy.

(b) § 35 of the Lanham Act

The drafters of § 35 of the Lanham Act embellished upon the 1905 Act's recovery provisions in two significant ways. First, added to the provisions for increasing recovery was the caveat that a court's enhancement of a damage award or adjustment of profits awarded "shall constitute compensation and not a penalty." Second, all monetary recovery under § 35 is "subject to the principles of equity." The legislative history of these two embellishments argues strongly that it was Congress' purpose to preclude punitive damages as a remedy for trademark infringement.

The "compensation and not a penalty" clause borrows language from the Copyright Act of 1909, Pub. L. No. 60-349, § 25(b), 35 Stat. 1075, 1081 (1909), allowing for recovery of actual damages and actual profits from an infringer, in lieu of which a court could assess such sums, within limits, as appeared to be just so long as the discretionary award was "not . . . regarded as a penalty." That phrase of the Copyright Act codified the Supreme Court's result in *Brady v. Daly*, 175 U.S. 148 (1899); *see* Koelemay, *supra*, at 521-23. The Court held in *Brady* that the imposition by statute of a mandatory minimum award for

copyright infringement constituted neither penalty nor forfeiture. 175 U.S. at 154-55; *see L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 107-09 (1919). The minimum recovery, the Court continued, "does not change the character of the statute and render it a penal instead of a remedial one." *Brady*, 175 U.S. at 154. A.B.A. committee member Rogers referred to the *Brady* decision during joint hearings on the trademark bill in response to an inquiry on the effect of the "compensation and not a penalty" clause. *Registration of Trade-marks: Joint Hearings on S. 2679 Before the House and Senate Comms. on Patents*, 68th Cong., 2d Sess. 48 (1925) [hereinafter *1925 Hearings*]; *see* Koelemay, *supra*, at 523 & n.385. Hence, the 1909 Copyright Act's damages provision was construed at the time the Lanham Act was under consideration as a compensatory measure and not as a punitive measure. *See* Koelemay, *supra*, at 523; *see also Davilla v. Brunswick-Balke Collender Co.*, 94 F.2d 567, 570 (2d Cir.), *cert. denied*, 304 U.S. 572 (1938).

During the 1925 joint hearings on the draft of an early trademark bill, Rogers contrasted the 1905 Act's treble damages provision with a proposed provision that would give courts discretion to raise or lower awards of damages and profits

> [The 1905 Act's trebling provision] seems to me to be useless, and anything more than proper compensation, an artificial increase, is in the nature of a penalty. So it seems to us better to give the court discretion to award the damages which under all the circumstances of the case seemed to be just, rather than arbitrarily fix treble damages . . . .

1925 Hearings, *supra*, at 48 (testimony of Edward Rogers).

Concern that a trial court's discretion to increase a monetary award might serve as a punitive instead of remedial function was again manifested during hearings in 1941 before the Subcommittee on Trademarks of the House Committee on Patents. When the discussion focused on the provision for adjusting inadequate or excessive recovery based on profits, Mr. Fenning (of the United States Patent Quarterly) worried aloud that despite the "compensation and not a penalty" clause and the requirement that courts consider the circumstances of each case, the provision might allow unlimited recovery. Under this provision, he stated, "if [a judge] thinks the [infringer] has done a bad thing, the court can fine him in any sum he wants to." *Trade-marks: Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 203 (1941) [hereinafter *1941 Hearings*]. Representative Lanham agreed, stating that "[t]here should be some limitation." *Id.* But Rogers emphasized that the provision to increase or decrease recovery based on an infringer's profits was simply a recognition of the problems of proof facing plaintiffs and that if the amount proven is inadequate, "a reasonable sum in the way of ordinary damages ought to be awarded." *Id.* at 205. Reacting to the suggestion that a plaintiff receive as recovery of defendant's profits an amount exceeding defendant's total sales, Rogers further stated, "You are going to have a penalty there, and you do not want to do it." *Id.* Thus, Congress' insertion of the "compensation and not a penalty clause" supports a reading of § 35 that would preclude punitive damages.

The Lanham Act's second embellishment on the recovery provisions of the 1905 Act is the requirement that all monetary recovery under § 35 be "subject to the principles

of equity." This language was added in the final draft of the Lanham bill introduced in 1945 and enacted in 1946. H.R. 1654, 79th Cong., 2d Sess. (1946); *see* Koelemay, *supra*, at 485. The only explanation for the phrase is found in a 1941 letter to Representative Lanham. *See* Koelemay, *supra*, at 485. "[I]t seems clear," the letter explains, "that the normal principles of equity in respect of allowance of and defenses to an accounting of profits and the recovery of damages are not affected by this bill." *1941 Hearings*, *supra*, at 228 (letter from Milton Handler). Therefore, the writer recommends inserting "according to the principles of equity" in the first sentence of what became § 35 in order "to effectuate the intentions of the draftsmen." *Id.* Although this letter, in suggesting the addition of the words "according to the principles of equity," obviously does not evince a congressional purpose with respect to punitive damages, it is at least plain that absent express statutory authority, punitive damages are not ordinarily recoverable in equity. *See* Koelemay, *supra*, at 520; *see also Coca-Cola Co. v. Dixi-Cola Labs.*, 155 F.2d 59, 63 (4th Cir.), *cert. denied*, 329 U.S. 773 (1946). *Cf. Livingston v. Woodworth*, 56 U.S. (15 How.) 546, 559-60 (1854) (reversing punitive award for patent infringement because award based on "chastisement" was contrary to "well-established rules of equity jurisprudence").

Some years ago we construed § 35's phrase "subject to the principles of equity" to preclude any monetary relief " 'where an injunction will satisfy the equities of the case' and where 'there has been no showing of fraud or palming off.' " *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 433 F.2d 686, 706-07 (2d Cir. 1970) (quoting *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947)), *cert. denied*, 403 U.S. 905 (1971). Thus, making recovery under § 35 subject to principles of equity scarcely can be used to

support the imposition of punitive damages. Review of § 35 of the Lanham Act's legislative history consequently does not raise any doubt regarding our earlier conclusion based on reading the plain language of the Act. Neither the Lanham Act's antecedent—the 1905 Act—nor its embellishments in the context of monetary recovery evidence any congressional purpose to authorize punitive damages.

3. *Relevant Caselaw*

We conclude analysis of § 35 of the Lanham Act with a review of relevant caselaw. Although not on all fours with the instant matter, the Supreme Court's reasoning in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), sheds considerable light on the availability of punitive damages under § 35. In *Fleischmann*, the Court ruled that federal courts lacked power to award reasonable attorney fees even when a plaintiff established deliberate infringement of its trademark because at that time § 35's enumeration of available compensatory remedies did not include such an award. *Id.* at 721. Eight years later Congress amended § 35 by adding that "The court in exceptional cases may award reasonable attorney fees to the prevailing party." Pub. L. No. 93-600, 88 Stat. 1955 (1975), *reprinted in* 1974 U.S. Code Cong. & Admin. News 2260 (codified at 15 U.S.C. § 1117(a) (Supp. IV 1986)).

The reasoning of *Fleischmann* began with recognition of the general rule that "attorney's fees are not ordinarily recoverable". *Id.* at 717. Exceptions to the so-called "American" rule, the Court explained, were not developed in the context of statutory causes of action—such as trademark actions under the Lanham Act—"for which the

legislature had prescribed intricate remedies." *Id.* at 719 (noting Lanham Act's provisions for injunctive relief and compensatory relief measured by defendant's profits, plaintiff's damages, and costs of the action). "When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause," the Court continued, "other remedies should not readily be implied." *Id.* at 720. Because several attempts to provide for recovery of attorney fees in the Lanham Act had failed, the Court concluded that "Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act. A judicially created compensatory remedy in addition to the express statutory remedies is inappropriate in this context." *Id.* at 721.

Even though *Fleischmann*'s holding ruled out a different compensatory remedy—attorney fees—than the one under consideration, the same reasoning, we think, bars a separate recovery of punitive damages for infringement. *See* Koelemay, *supra*, at 519 & n.354 (holding in *Fleischmann* "would seem by clear analogy to foreclose an implied remedy of punitive damages"); *see also* 2 J. McCarthy, *supra*, at § 30:29(B). Further, to imply a punitive damages award for trademark infringement would inappropriately add a remedy Congress could have—but did not—include in its intricate and comprehensive recovery scheme. Instead, it intended § 35 to "mark the boundaries of the power to award monetary relief in cases arising under the Act" and, as discussed above, such monetary relief was meant to be remedial, not punitive, in nature.

Decisions from sister circuits support the view that *Fleischmann* bars an award of punitive damages under § 35. *See Metric & Multistandard Components Corp. v.*

Metric's, Inc., 635 F.2d 710, 715-16 (8th Cir. 1980) (rejecting plaintiff's argument for common law remedies for violations of § 43(a) of the Lanham Act: *Fleischmann* is "broad enough to suggest that section 35 is the exclusive provision for monetary damages for the entire Act"); *Electronics Corp. v. Honeywell, Inc.*, 487 F.2d 513 (1st Cir. 1973) (per curiam) (upholding district court holding that plaintiff not entitled to punitive damages under the Lanham Act based on *Fleischmann*, its reading of § 35, and the absence of judicial authority for such award), *aff'g* 358 F. Supp. 1230 (D. Mass. 1973), *cert. denied*, 415 U.S. 960 (1974); *see also Caesars World, Inc. v. Venus Lounge, Inc.*, 520 F.2d 269, 274 (3d Cir. 1975) (striking an award of punitive damages in reliance on district court's holding in *Electronics*).

We are unpersuaded by the district court's reference to two other circuits as having approved punitive damages as a Lanham Act remedy. Neither of those decisions discusses the availability of punitive damages under § 35 and, in fact, the punitive damages awards in both cases were authorized under state law. *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1024 (9th Cir. 1985) (California law authorized punitive damages), *cert. denied*, 474 U.S. 1059 (1986); *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1374-76 (10th Cir. 1977) (Colorado law allows such damages), *cert. dismissed*, 434 U.S. 1052 (1978).

Finally, plaintiff's argument, relying on *Quaker State Oil Ref. Corp. v. Kooltone, Inc.*, 649 F.2d 94 (2d Cir. 1981), that we have already approved recovery of punitive damages under § 35 is misplaced. In *Quaker State*, the district court did not question its power to award punitive damages for federal trademark infringement, and appel-

lants failed to challenge that power on appeal. In disagreeing with appellants' argument that "the trial judge erred in submitting to the jury the issue of punitive damages, because appellants were . . . given no notice that Quaker State sought such damages," *id.* at 95, we rested our decision affirming the imposition of punitive damages on a reading of the complaint and appellants' failure to object to the jury instruction, *id.* at 95-96, thus assuming *sub silentio* the availability of punitive damages. This kind of assumption has no precedential value, as we shall explain.

Recently, we reaffirmed the precept that not every aspect of each opinion has precedential force. In *Korwek v. Hunt*, 827 F.2d 874, 877 (2d Cir. 1987), for example, we stated that in a previous opinion, "[n]either the district court nor this Court addressed [the question currently appealed]. The issue never was briefed, argued, or decided." The earlier panel had assumed *sub silentio* a resolution of the issue. In *Korwek* we noted that a *sub silentio* holding is " 'not binding precedent.' " *Id.* (quoting *Brooks v. Flagg Bros.*, 553 F.2d 764, 774 (2d Cir. 1977), *rev'd on other grounds*, 436 U.S 149 (1978)). Thus, inasmuch as the punitive damages issue was not briefed, argued or addressed by the *Quaker State* panel, we are not constrained by it to affirm the instant award.

In sum, we hold that § 35 of the Lanham Act does not authorize an additional award of punitive damages for willful infringement of a registered trademark. So long as its purpose is to compensate a plaintiff for its actual injuries—even though the award is designed to deter wrongful conduct—the Lanham Act remains remedial. Obviously such ruling should not be read as an incentive for deliberate trademark infringement. To the extent that deterrence of willful infringement is needed, the statuto-

rily provided remedies of § 35 are sufficient: a district court is empowered to enhance a monetary recovery of damages or profits, *e.g.*, *Deering, Milliken & Co. v. Gilbert*, 269 F.2d 191, 194 (2d Cir. 1959), or to award plaintiff a full accounting of an infringer's profits, *e.g.*, *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 724 F.2d 352, 356 (2d Cir. 1983); *W.E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir. 1970).

II *The Award of Attorney Fees*

As mentioned above, § 35 of the Lanham Act now provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a) (Supp. IV 1986). Based on the jury's finding that defendants infringed Getty Petroleum's trademark rights "willfully, intentionally and with a callous and reckless disregard" for Getty Petroleum's rights, the district court in its September 2, 1987 decision and order considered this an "exceptional" case within the meaning of § 35 and granted Getty Petroleum's application for attorney fees. Appellants do not challenge the district court's power and discretion to award attorney fees in this case, but they argue that the amount of the fee award is too high on several grounds.

Appellants contend initially that the district court erred by computing the attorney fees award based on Getty Petroleum's counsel's usual billing rate, which the trial court considered reasonable. Instead, appellants argue, the award should be limited to the hourly rate that Getty Petroleum was actually charged under its special billing arrangement with counsel. In awarding fees according to plaintiff counsel's usual rate, the district court rejected the reasoning of *Jewish Employment & Vocational Service v.*

Pleasantville Educ. Supply Corp., 601 F. Supp. 224 (E.D. Pa. 1983). In that case, counsel in a trademark infringement action had agreed to bill the plaintiff at one-half its usual rate, "but would seek to recover fees at the full rate in which event the client would receive the excess." *Id.* at 225. The district court cut the plaintiff's fee request in half because it considered § 35's provision for attorney fees compensatory, not as a source for a windfall for plaintiff. *Id.*

Judge Mishler properly refused to follow *Jewish Employment*. While agreeing that the plaintiff should not profit by an award of attorney fees, the district judge also noted that the defendants—who acted willfully—should not benefit by the agreement between plaintiff and counsel. In the instant case—unlike *Jewish Employment*—the excess fee award is for counsel, not the plaintiff. Awarding reasonable fees to plaintiff's counsel accords with the statute and results in no benefit to plaintiff, whereas an award based on the special arrangement would result in a windfall to the appellants as wrongdoers, who would pay less. Thus, Judge Mishler properly awarded reasonable attorney fees based on counsel's usual billing rates.

Appellants next argue that plaintiff's attorney fees application reflected no attempt by counsel to "trim the fat," and that when computing reasonable attorney fees, the district court failed to consider the conduct of certain codefendants which prolonged the litigation and, further, that it improperly imposed the award jointly and severally against all defendants rather than apportioning the fees among the defendants. These matters fall well within the district court's discretion, and absent evidence of its abuse, not demonstrated here, we see no reason to disturb the award.

Finally, appellants assert that if punitive damages are not available under the Lanham Act, plaintiff's attorney fees and disbursements incurred at the second trial on the punitive damages issue should be disallowed. Footnote 2 of the district court's September 2, 1987 decision and order apparently supports this position. There the district judge commented, "we assume for this [attorney fees] application that punitive damages are recoverable and therefore Getty may recover the reasonable value of attorney's fees in sustaining its position. If it turns out otherwise, the award will be adjusted downward to eliminate that cost." Because it "turns out" that punitive damages are not available under § 35 of the Lanham Act, we remand to the district court to consider whether an adjustment of the attorney fees award is appropriate.

III *The Compensatory Damages Award*

Section 35 of the Lanham Act also provides that the district court may, in its discretion, enhance a damages award up to three times the sum found as actual damages, "according to the circumstances of the case." After the first jury verdict, Getty Petroleum's counsel moved for the court to enhance the jury's compensatory damages award pursuant to § 35. The district court summarily denied the motion in its June 22, 1987 decision and order, but it appears from transcripts in the record that the availability and size of the punitive damages award influenced the trial court's decision not to increase the compensatory damages award.

Getty Petroleum contends in its cross-appeal that the district court abused its discretion in denying the motion for enhancement. We need not consider this argument because we believe—and appellants concede—that it is

appropriate to remand the statutory enhancement question in light of our decision to disallow recovery for punitive damages. As noted, enhancing the monetary recovery of damages or profits may serve to deter willful infringement. *E.g., Deering, Milliken & Co.*, 269 F.2d at 194. Accordingly, the case is remanded to the district court for reconsideration of its decision to deny plaintiff's motion for enhancement of the compensatory damages award. Of course, the district court has wide discretion in this matter.

CONCLUSION

For the reasons stated we affirm the finding that the appellants infringed plaintiff's trademark and the award of compensatory damages. We reverse the award of punitive damages under § 35 of the Lanham Act, and remand the case to the district court for it to determine the proper award of attorney fees and to reconsider plaintiff's motion for enhancement of the compensatory damages award in accordance with this opinion.

In light of this holding, we need not address plaintiff's cross-appeal from the order vacating the first jury's punitive damages award on the basis of excessiveness, nor need we consider appellants' arguments that the district court erred by denying their motions for a j.n.o.v. or a remittitur as to punitive damages following the second jury verdict, or that they were prejudiced by the punitive damages charge, by the method used to calculate punitive damages, and by the disproportionate size of the punitive damages award.

Appellants' request for their own attorney fees from plaintiffs respecting the second trial and on this appeal is frivolous, as is appellants' suggestion that the district

court abused its discretion by permanently enjoining their infringement of plaintiff's trademark.

Any further appeals in this matter will be heard by this panel.

Affirmed in part, reversed in part and remanded.

APPENDIX B

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP.,

Plaintiff, CV 86-0246

-v-

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.N. TRUCKING CORP., PATRICK O'REILLY, PADDY O'S SERVICE INC., and DANIEL J. FEIGENBAUM,

Defendants.

Memorandum of Decision and Order

June 22, 1987

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MISHLER, District Judge

Plaintiff, Getty Petroleum Corp. ("Getty") moves to increase the jury awards based on loss of profits

pursuant to section 35 of the Lanham Act, 15 U.S.C. §1117. Defendants move for judgment notwithstanding the verdict (n.o.v.) pursuant to Rule 50(b), Fed.R.Civ.P., and, alternatively, for a new trial on the issue of punitive damages pursuant to Rule 59 on the ground that the punitive damages awarded by the jury are grossly excessive. 1/ The jury awarded Getty a total of $107,579.75 in compensatory damages and $9,225,000 in punitive damages. (See attached Special Verdict Form). 15 U.S.C. § 1117(a) provides in pertinent part:

> When a violation of any right . . . shall have been established . . . the plaintiff shall be entitled . . . subject to principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . If the court shall find that the amount of the recovery based

> on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.

Punitive Damages Under the Lanham Act

In Metric & Multistandard Components Corp. v. Metric's Inc., 635 F.2d 710, 716 (8th Cir. 1980), the court, citing Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 720-21, 87 S. Ct. 1404, 1408-09 (1967), 2/ held that punitive damages were not available for claims asserted under the Lanham Act, but that "the district court has broad discretion to fashion a just remedy consistent with section 35, including treble damages." To the same effect see Caesars World, Inc. v. Venus Lounge, Inc., 520 F.2d

269, 274 (3rd Cir. 1975); Electronics Corp. v. Honeywell, Inc., 358 F. Supp. 1230, 1234-35 (D. Mass.), aff'd, 487 F.2d 513 (1st Cir. 1973), cert. denied, 415 U.S. 960, 94 S. Ct. 1491 (1974); American Express Co. v. Lipscomb, 210 U.S.P.Q. 827 (E.D. Mich. 1981); Cargo Safe, Inc. v. Bruest Industries, Inc., 200 U.S.P.Q. 445 (D. Kan. 1976).

In Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981), the jury awarded compensatory damages based on lost profits in the amount of $30,000 and punitive damages in the amount of $55,000. The court noted that "the complaint . . . [made] clear that more than single compensatory damages [were] sought." Id. at 96. The district court in Quaker State had not

increased the compensatory damages under section 35. Though the complaint apparently sought only increased compensatory damages under section 35, the jury awarded punitive damages under the district court's instruction. We interpret Quaker State Oil Refining Corp. as approving punitive damages as a remedy under the Lanham Act. To the same effect see Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1024-25 (9th Cir. 1985), cert. denied, ___ U.S. ___, 106 S. Ct. 802 (1986); Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1374-76 (10th Cir. 1977).

We turn to the question of the excessiveness of the punitive damage award. The purpose of punitive damages is to deter defendant and

others from violating the plaintiff's trademark rights. See Zarcone v. Perry, 572 F.2d 52, 55 n. 6 (2d Cir. 1978). In a case such as this where the violation of the plaintiff's right results in the consuming public being deceived, the right to punitive damages has further support. See Aldrich v. Thomson McKinnon Securities, Inc., 756 F.2d 243, 248 (2d Cir. 1985). However, the amount of the award should be such as to fulfill its purpose "without causing financial ruin" to the wrongdoers. Transgo, Inc. v. Ajac Transmission Parts Corp., supra, 768 F.2d at 1025. We find the punitive damage awards against Bartco, Bartolomeo and Golio are "so high as to shock the judicial conscience and constitute a denial of justice." Zarcone v. Perry, supra, 572 F.2d at

56.

We find that a punitive damage award of $350,000 against Bartco Petroleum Corp. and Nicholas J. Bartolomeo jointly, and an award of $150,000 against Anthony Golio will serve the purpose for which punitive damages are designed. 3/

The motion to vacate the verdict as it assesses punitive damages against Bartco Petroleum Corp., Nicholas J. Bartolomeo and Anthony Golio is granted unless the plaintiff Getty Petroleum Corp. agrees to reduce the punitive damage awards to the sum of $350,000 against Bartco Petroleum Corp. and Nicholas J. Bartolomeo jointly and to the sum of $150,000 against Anthony Golio. If Getty fails to consent to this reduction in writing within ten (10) days, a new

trial is ordered solely on the amount of punitive damages to be assessed against Bartco Petroleum Corp., Nicholas J. Bartolomeo and Anthony Golio.

The special verdict did not present the issue of Prugig Realty Corp. as an infringer of the trademark. It was therefore improper to assess punitive damages against Prugig Realty Corp., and, therefore, the award of punitive damages against Prugig Realty Corp. is vacated.

We find the punitive damage awards against the remaining defendants, Miracle Petroleum Corp., Lena Petroleum Corp. and A./E.N. Trucking Corp., Patrick O'Reilly and Paddy O's Service Inc., and Daniel J. Feigenbaum, are not excessive. Accordingly, we decline to vacate the

punitive damage awards against these defendants.

Getty's motion to increase compensatory damages pursuant to § 1117 is denied.

SO ORDERED

S/

U. S. D. J.

FOOTNOTES

1/ The court denied all motions directed to the verdict at the time it was rendered, reserving decision only on these issues. A copy of the special verdict is appended.

2/ The Supreme Court in Fleischmann Distilling Corp., 386 U.S. at 720-21, 87 S. Ct. at 1408-09, held:

> When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not be readily implied. . . . Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act.

3/ See Smith v. Wade, 461 U.S. 30, 58-59, 103 S. Ct. 1625, 1691 (1983) (Rehnquist, J., dissenting).

APPENDIX C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
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GETTY PETROLEUM CORP.,

Plaintiff, CV 86-0246

-v-

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.M. TRUCKING CORP., PATRICK O'REILLY, PADDY O's SERVICE INC., and DANIEL J. FEIGENBAUM,

Memorandum of Decision and Order

August 25, 1987

Defendants.
----------X

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MISHLER, District Judge

Defendants Bartco Petroleum Corp., Nicholas J. Bartolomeo and

Anthony Golio move for (1) judgment notwithstanding the verdict or, alternatively, a remittitur, with respect to punitive damages, (2) amendment of the judgment entered on July 16, 1987 vacating the permanent injunction entered against them, and (3) to stay execution and enforcement of the judgment pending appeal. 1/

I. The Award of Punitive Damages

This court, in a prior memorandum of decision, pointed to the apparent conflict among the circuits on the question of the plaintiff's right to punitive damages in a trademark infringement case. Getty Petroleum Corp. v. Bartco Petroleum Corp., No. CV 86-0246, slip op. at 3-5 (E.D.N.Y. June 22, 1987) (unpublished Memorandum of Decision and Order). We felt bound

by the Second Circuit's decision in Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981), and held that the plaintiff, Getty Petroleum Corp. ("Getty"), could recover punitive damages from the defendants under the Lanham Act., 15 U.S.C. § 1117.

The motion to vacate the punitive damage award on the ground that Getty is limited to the relief explicitly provided in 15 U.S.C. § 1117 is, therefore, denied.

The defendants' motion alternatively seeks to vacate the punitive damage award on the ground of excessiveness based in part on the court's offer of a remittitur in our decision of June 22, 1987 following the first jury verdict on punitive damages. Based on the record then before the

court, we held the amount of the punitive damage award was excessive, and granted defendants' motion to vacate the punitive damage awards against them unless Getty agreed to reduce the punitive damage awards against Bartco and Bartolomeo to $350,000 jointly and against Golio to $150,000. Getty declined our offer of a remittitur. 2/ The second trial on the issue of punitive damages showed that Bartolomeo has net assets valued at more than $11 million dollars. We find the award of punitive damages of $1,833,000 against Bartco and Bartolomeo, and $172,000 against Golio is not excessive. The offer of a remittitur to Getty as an alternative to setting aside the award is therefore inappropriate. The motion is

therefore denied on the alternate ground asserted.

II. Motion to Vacate the Permanent Injunction

Briefly stated, the permanent injunction enjoins Bartolomeo, Bartco and Golio from infringing Getty's trademark. Bartco and Bartolomeo correctly assert that the injunctive provision contained in the judgment must be accompanied by findings of fact under Rule 52(a), Fed.R.Civ.P. 3/

3/ Rule 52(a), Fed.R.Civ.P., provides in pertinent part:

> In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon . . . ; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law

> which constitute the grounds of its action.

The Rule requires fact findings by the court in two situations: "In all actions tried upon the facts without a jury or with an advisory jury," and "in granting or refusing interlocutory injunctions." "A permanent injunction, when issues of fact determine whether or not it should be granted, comes within the quoted scope of Rule 52." Hook v. Hook & Ackerman, Inc., 213 F.2d 122, 130 (3d Cir. 1954). See Securities and Exchange Commission v. Management Dynamics, Inc., 515 F.2d 801, 814 (2d Cir. 1975); Alberti v. Cruise, 383 F.2d 268, 271 (4th Cir. 1967); Chas. Pfizer & Co. v. Zenith Laboratories, Inc., 339 F.2d 429, 430 (3d Cir. 1964); 9 C. Wright & A. Miller, Federal Practice and Procedure § 2576, at 696 (1971).

A permanent injunction may be entered by the district court in the exercise of its discretion only "upon a finding of the likelihood that the defendant would commit future violations if not enjoined." Securities and Exchange Commission v. Management Dynamics, Inc., supra, 515 F.2d at 814.

The jury found that Bartco and Bartolomeo infringed the Getty trademark during the period February 1, 1985 to April 3, 1986. The evidence showed that Bartolomeo has an interest in corporations franchising gasoline service stations that sell gasoline at retail under the trade-name Petro King and Metro. Bartolomeo disclaims any interest in any entity distributing gasoline to service stations. Getty has established a violation of its

trademark over a period from February 1, 1985 to April 3, 1986, irreparable injury to Getty and a fraud upon the public. The fact that Bartolomeo is not in the business of supplying gasoline stations with unbranded gasoline at the present time does not remove the threat of his engaging in this activity in the future. He has the experience in selling unbranded gasoline and the financial capability. The threat is present. Getty is entitled to a permanent injunction prohibiting Bartolomeo from infringing Getty's trademark and from selling unbranded unleaded gasoline to Getty gasoline service stations. See Transgo, Inc. v. Ajac Trasmission Parts Corp., 768 F.2d 1001, 1022 (9th Cir. 1985), cert. denied, ___ U.S. ___, 106 S. Ct. 802 (1986); Spring

Mills, Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 355 (2d Cir. 1983).

The motion to vacate the provisions in the judgment permanently enjoining Bartco and Bartolomeo from infringing the Getty trademark is denied.

III. The Motion to Stay Execution

Defendants Bartco, Bartolomeo, and Golio seek an order staying execution and enforcement of the judgment without posting a supersedeas bond. Alternatively, Bartco and Bartolomeo seek to stay execution and enforcement of the judgment by providing substitute security in the form presented to the court in a letter from counsel dated August 11, 1987. Defendants argue that the standard set forth in the Supreme Court's decision

in Hilton v. Braunskill, ___ U.S. ___, 107 S. Ct. 2113, 2119 (1987), governs their motion for a stay of execution pending appeal. In Hilton, the Supreme Court summarized the factors regulating the issuance of a stay of an order pending appeal as follows:

> (1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits;
> (2) whether the applicant will be irreparably injured absent a stay;
> (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and
> (4) where the public interest lies.

Hilton involved the State of New Jersey's application for a stay of the district court's order directing that a petition for a writ of habeas corpus be granted unless the state granted the petitioner a new trial within 30

days. These factors are viewed somewhat differently, however, where the stay is sought to prevent execution against the defendants' assets, as in the instant case. "The purpose of the supersedeas bond is to secure the [plaintiff] from loss resulting from the stay of execution." Federal Prescription Service, Inc. v. American Pharmaceutical Association, 636 F.2d 755, 760 (D.C. Cir. 1980). See Poplar Grove Planting and Refining Co. v. Bache Halsey Stuart, Inc., 600 F.2d 1189, 1190-91 (5th Cir. 1979).

The judgment debtor bears the burden of proving the inability of procuring a supersedeas bond. Id. at 1191. Bartolomeo bases his right to a stay without posting security on the claimed error of this court in interpreting Quaker State Oil Refining

Corp. v. Kooltone, Inc., supra, 649 F.2d at 94, as authorizing the award of punitive damages in a Lanham Act case. Bartolomeo points out that the lion's share of the judgment obtained against him and Bartco represents punitive damages. We stand by our interpretation.

However, based on the affidavits submitted, we are convinced that Bartolomeo is unable to obtain a supersedeas bond for a substantial sum. It is unlikely that he can obtain a supersedeas bond for the full amount of the judgment or obtain a loan without impairing his ability to conduct his business.

In balancing the right of the judgment creditor to payment of the judgment sum against the possible irreparable injury to the judgment

debtor, see Texaco Inc. v. Pennzoil Co., 784 F.2d 1133, 1154 (2d Cir. 1986), rev'd on other grounds, ___ U.S. ___, 107 S. Ct. 1519 (1987), we consider the offer of the judgment debtor as an alternative to a supersedeas bond. It consists of:

(1) a mortgage on 15 parcels of real estate owned by Bartco, having an equity appraisal of over $2,185,000;

(2) a mortgage on the home in which Mr. and Mrs. Bartolomeo reside with a market (or current appraisal) value of $900,000 subject to a first mortgage lien of about $80,000;

(3) A supersedeas bond of $70,000.

In addition, Bartolomeo offers to pay the costs of 16 appraisals (by appraisers chosen by Getty), the mortgage tax and a legal fee totalling about $32,000.

The court finds that Bartolomeo's offer would fully secure Getty. See Texaco Inc. v. Pennzoil Co., supra, 784 F.2d at 1154-55.

We expect Bartolomeo to take all steps necessary to secure Getty in the manner offered. The stay of execution against the assets of Bartco and Bartolomeo will continue until Getty has received the security offered and has ascertained that the representations of value are substantially correct. Getty is granted leave to move to vacate or modify the stay if Bartolomeo delays giving the security

or the representations as to value are not substantially correct.

Nicholas J. Bartolomeo and Kathleen Bartolomeo, his wife,shall not individually or jointly transfer or encumber any interest in any of the assets they own without notice to Getty except as herein authorized or in the regular course of business.

Anthony Golio's motion for a stay of execution is denied. Golio has set forth his financial problems in detail in an affidavit dated July 26, 1987. Among other issues, it presents a question of his wife's interest in his assets under New York Dom. Rel. Law § 234 (Equitable Distribution). The affidavit shows that a stay would prejudice Getty's right to recover in that other creditors would be in a favored position.

ORDER

The defendants' motion for judgment notwithstanding the verdict, or, alternatively, a remittitur with respect to punitive damages is denied. Defendants' motion to vacate the permanent injunction entered on July 16, 1987 is denied. Defendant Golio's motion to stay execution and enforcement of the judgment entered on July 16, 1987 is denied. Defendants Bartco's and Bartolomeo's motion to stay execution of the judgment entered on July 16, 1987 is granted provided they supply Getty with the security described herein.

SO ORDERED

S/

U. S. D. J.

FOOTNOTES

1/ Bartco and Bartolomeo also challenge plaintiff's request for attorney's fees under 15 U.S.C. § 1117. The application for attorney's fees will be discussed in a separate memorandum.

2/ Plaintiff's counsel called upon the jury to put Bartolomeo out of business. The jury apparently responded to the call. It awarded punitive damages of $1,500,000 against Bartco, $3,000,000 against Bartolomeo, and $2,000,000 against Golio.

3/ Golio does not seek amendment by eliminating the injunction provisions. Bartco and Bartolomeo also complain of the failure of the court to give them ample opportunity to challenge the injunction. We fail to see how they are prejudiced.

APPENDIX D

EDNY
86-CV-0247
MISHLER

UNITED STATES COURT OF APPEALS
FOR THE
SECOND CIRCUIT

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the twenty second day of September one thousand nine hundred and eighty eight.

Present: HON. EDWARD J. LUMBARD,
Senior Judge
HON. RICHARD J. CARDAMONE
HON. GEORGE C. PRATT

Circuit Judges,

Getty Petroleum Corp.,

Plaintiff-Appellee,
Cross-Appellant,

-v-

Docket Nos.
87-7668, 87-7674,
87-7770

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.N. TRUCKING, CORP., PATRICK O'REILLY, PADDY O's SERVICE INC., and DANIEL J. FEIGENBAUM,

Defendants.

ANTHONY GOLIO, BARTCO PETROLEUM CORP., and NICHOLAS J. BARTOLOMEO,

Defendants-Appellants.
Cross-Appellees.

Nov. 29, 1988
ISSUED AS MANDATE:

Appeal from the United States District Court for the Eastern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Eastern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged and decreed that the judgment of said District Court be and it hereby is affirmed in part, reversed in part and remanded to the said district court for further proceedings in accordance with the opinion of this court.

ELAINE B. GOLDSMITH
Clerk

BY: S/_____
Edward J. Guardaro,
Deputy Clerk

A TRUE COPY
ELAINE B. GOLDSMITH, CLERK

BY: S/_____
Deputy Clerk

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE
SECOND CIRCUIT

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, in the City of New York, on the fourteenth day of November, one thousand nine hundred and eighty-eight.

GETTY PETROLEUM CORP.,

Plaintiff-Appellee-
Cross Appellant

-v-

ANTHONY GOLIO, BARTCO PETROLEUM CORP. and NICHOLAS J. BARTOLOMEO,

Defendants-Appellant-
Cross Appellees.

Docket Number
87-7668
87-7674
87-7770

A petition for rehearing containing a suggestion that the action be reheard in banc having been filed herein by appellant, Bartco Petroleum

Upon consideration by the panel that heard the appeal, it is

Ordered that said petition for rehearing is DENIED.

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges of the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

ELAINE B. GOLDSMITH
Clerk

BY: S/
Fred M. Cassidy,
Chief Deputy Clerk

APPENDIX F

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant--

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies

hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * *

§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative

and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be fond.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction has been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office upon which said injunction was granted.

(c) Notice to Commissioner

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any

other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the decision is rendered, appeal taken or a decree issued the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under Section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records, documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means--

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36;

but such term does not include any mark or designation used in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order

is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for any order under this subsection shall--

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless --

(a) The person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that --

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth --

(A) the findings of fact and conclusion of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person

against whom an order under the subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that a United States marshal or other law enforcement officer is to serve a copy of the order under this subsection and then is to carry out the seizure under such order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting

the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the application for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, includ-

ing damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621 of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

* * *

§1117. Recovery for violation of rights

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits

the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(A) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the

court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

§1118. Destruction of infringing articles

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established, the court may order that all lables, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed. The party seeking an order under this section for destruction of articles seized under section 1116(d) of this title shall given ten days' notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice) and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such

destruction or participate in any hearing otherwise to be held with respect to such destruction.

* * *

§1125. False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation or origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

APPENDIX G

Rule 49. Special Verdicts and Interrogatories

(a) Special Verdicts. The court may require a jury to return only a special verdict in the form of a special written finding upon each issue of fact. In that event the court may submit to the jury written questions susceptible of categorical or other brief answer or may submit written forms of the several special findings which might properly be made under the pleadings and evidence; or it may use such other method of submitting the issues and requiring the written findings thereon as other method of submitting the issues and requiring the written findings thereon as it deems most appropriate. The court shall give to the jury such explanation and instruction concerning the matter thus submitted as may be necessary to enable the jury to make its findings upon each issue. If in so doing the court omits any issue of fact raised by the pleadings or by the evidence, each party waives the right to a trial by jury of the issue so omitted unless before the jury retires the party demands its submission to the jury. As to an issue omitted without such demand the court may make a finding; or, if it fails to do so, it shall be deemed to have made a finding in accord with the judgment on the special verdit.

APPENDIX H

Rule 51. Instructions to Jury: Objection

At the close of the evidence or at such earlier time during the trial as the court reasonably directs, any party may file written requests that the court instruct the jury on the law as set forth in the requests. The court shall inform counsel of its proposed action upon the requests prior to their arguments to the jury. The court, at its election, may instruct the jury before or after argument, or both. No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection. Opportunity shall be given to make the objection out of the hearing of the jury.

Supreme Court, U.S.
FILED
MAR 8 1989
JOSEPH F. SPANIOL, JR.
CLERK

No. 88-1335

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

—against—

BARTCO PETROLEUM CORP.,
NICHOLAS J. BARTOLOMEO,
ANTHONY GOLIO,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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STATEMENT PURSUANT TO RULE 28.1 OF THIS COURT

The only respondent that is a corporation, Bartco Petroleum Corp., is wholly-owned by respondent Nicholas J. Bartolomeo.

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PRELIMINARY STATEMENT

1. This matter deals primarily with the issue of whether Congress intended punitive damages to be an available remedy under the Lanham Act, 15 U.S.C. §§ 1051 et seq., dealing with trademarks.

The underlying action was commenced in January 1986. Petitioner alleged violations of the Lanham Act, and various pendent state claims. All of the state pendent claims (except breach of contract) were voluntarily withdrawn by petitioner prior to the conclusion of the first trial [App. at A5-A8].[1]

There were two jury trials of this action. At the first trial in June 1987, the first jury assessed punitive damages against respondents under the Lanham Act totalling $7,400,000.

Respondents timely moved for a remittutur or for a new trial on the ground of excessiveness [JA 1323]. By order dated June 22, 1987, the district court granted the motion but ruled on the merits that punitive damages were available under the Lanham Act [App. at B3 - B6]. This ruling was plainly on the merits, and did not rely upon or refer to Fed.R.Civ.P. 51; indeed, the district court subsequently noted, without referring to Rule 51, that it believed its holding on the merits was compelled by a decision in its own circuit [App. at C3-C4].

During a conference held prior to the second trial, respondents requested the district court to certify the issue of availability of

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[1] References to the Appendix filed in this Court by petitioner are designated as [App. at ____]. References to the Joint Appendix filed in the court of appeals are designated as [JA ____].

Petitioner acquired the trademark from Getty Oil Company, an unrelated company, and did not itself develop the underlying product [App. at A-4]. Although petitioner claims that respondents were "bootlegging" gasoline [Petition at 9], the district court refused to permit petitioner's counsel to use that term, or to suggest that quality of gasoline was in issue [A 548]. Furthermore, no evidence of quality of petitioner's gasoline, or of the unbranded gasoline, was permitted.

punitive damages under the Lanham Act, pursuant to 28 U.S.C. § 1292(b). The district court declined to certify the question [JA 213], and a second trial - limited to the amount of punitive damages under the Lanham Act - was held between July 13 and 15, 1987 before a different jury.

At the conclusion of the second trial, a verdict was rendered against respondents totalling $2,005,000. This constituted over 52, 32 and 5 times the amount of the compensatory damages assessed against respondents Bartco, Bartolomeo and Golio respectively.

Respondents served a post-trial motion, which *inter alia* sought judgment notwithstanding the verdict on the ground that the Lanham Act did not permit punitive damages [JA 204-206, 213, 216-220]. In response, petitioner did not refer to either Rule 51 or Rule 49(a), but argued that Lanham Act punitive damages were permitted under a court of appeals decision in the governing circuit. Moreover, petitioner did not claim that its punitive damage award was based upon any state claim.

Petitioner's first reference to Rule 51 was in its brief to the court of appeals. In addition, petitioner's claim that it had not withdrawn its state unfair competition cause of action - upon which, petitioner claims, punitive damages are available - was also raised for the first time in its brief to the court of appeals.

2. In an exhaustive opinion, the court of appeals held that (a) Rule 51 did not bar consideration of respondents' argument that Congress did not intend punitive damages to be a permissible remedy under the Lanham Act; (b) the statutory language, the legislative history, and the unanimous view of the other circuits that had considered the issue all indicated that the Lanham Act did not authorize the imposition of punitive damages; and (c) the punitive damage award could not be affirmed on the theory that it was based upon a state unfair competition cause of action, because that cause of action was expressly withdrawn by

petitioner during the first trial, and because there were no jury instructions as to the elements of such cause of action [App. at A].

Petitioner then filed a petition for rehearing in which it claimed, for the first time in this entire litigation, that the punitive damage award could be sustained pursuant to Fed.R.Civ.P. 49(a). This argument was based upon the questionable assertions that (a) Rule 49(a) applies even to claims that have been expressly withdrawn; (b) by proving trademark infringement under the Lanham Act, petitioner of necessity also proved all of the elements of an unfair competition cause of action under New York law; and (c) punitive damages were available thereon. The court of appeals denied the petition for rehearing - mistakenly described as having been made by respondent Bartco [App. at E].

ARGUMENT

The decision of the court of appeals exhaustively reviewed the language, legislative history and uniform case law concerning the availability of punitive damages under the Lanham Act, and its decision does not conflict with any decision of this Court or any other court. Petitioner's Rule 51 arguments are foreclosed by this Court's decision in *City of Newport* v. *Fact Concerts, Inc.*, 453 U.S. 247 (1981), and the claimed conflict is illusory. Petitioner's Rule 49(a) arguments begin from unaceptable premises, and the record does not otherwise permit proper resolution of such issues by this Court. Further review is therefore unwarranted.

In addition, assuming *arguendo* that this court decides to hear this case, respondents will raise two issues that were timely presented to and rejected by the district court and not passed upon by the court of appeals: (a) whether the Excessive Fines or Due Process Clauses of the United States Constitution place any restrictions on the amount of punitive damages or in the way they are computed, an issue the Court has agreed to consider. *Browning-Ferris Industries of Vermont, Inc.* v. *Kelco Disposal, Inc.*, Dkt. No. 88-556; and (b) whether the issue of the amount of punitive damages (the scope of the second trial) was an issue "so distinct and separable from the others that a trial of it alone

may be had without injustice." *Gasoline Products Co.* v. *Champlin Refining Co.*, 283 U.S. 494, 500 (1931).[2]

1. Petitioner's Rule 51 arguments are undermined by this Court's decision in *City of Newport* v. *Fact Concerts, Inc.*, 453 U.S. 247 (1981), which, as the court of appeals observed, involved "a similar procedural history" [App. at A9]. In that case, petitioner had not proposed a jury instruction concerning the availability of punitive damages, but raised the issue in a post-trial motion. *Id.* at 253. The district court noted that the issue was not timely under Rule 51, but reached the merits nevertheless. *Id.*[3] The court of appeals likewise decided the merits, after noting that none of the factors that ordinarily bar review of untimely-raised issues was present. *Id.* at 254-255.[4]

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[2] Respondents raised the first issue by a proposed jury instruction requiring the amount of punitive damages to be "reasonably related to, and not disproportionate" to the amount of actual damages, expressly relying upon the Amendments cited above [JA 153]. Nevertheless, the actual charge that was given merely stated that punitive damages were to punish and deter, and to set an example and warning to others, and that "the amount assessed should be sufficient to accomplish the purpose, and at the same time should not be in an amount in excess of the sum that is likely to accomplish the purpose" [JA 561-562].

Prior to the second trial, respondents raised the *Gasoline Products* issue in a letter to the district court [JA 200-203] that the district court, by order [JA 197-199], made part of the record.

As prevailing parties on the punitive damages issue, respondents may urge, without a cross-petition, "any ground properly raised below whether that ground was relied upon, rejected, or even considered by the District Court or the Court of Appeals." *Washington* v. *Confederate Bands and Tribes*, 439 U.S. 463, 476 n. 20 (1979), since the judgment of the court of appeals would not be changed thereby. *Chevron, U.S.A., Inc.* v. *NRDC*, 467 U.S. 837, 842 n. 7 (1984).

[3] The instant case is a stronger vehicle for not applying Rule 51, since petitioner did not urge its application to the district court and the district court did not refer to Rule 51.

[4] Even if the issue of availability of punitive damages was raised for the first time on appeal, the court of appeals would not have been precluded from considering it. "The matter of what questions may be taken up and resolved for

(Footnote continued)

Accordingly, in *City of Newport*, this Court reached the merits notwithstanding Rule 51. Disclaiming any reliance on the "plain error" doctrine that some lower courts had applied in such circumstances, 453 U.S. at 256 and n. 13, 257 n. 16, and observing that given the "evolving" nature of the boundaries of the substantive law in the area, *Id.* at 256, this Court reached the merits.

The same facts are present here. The district court reached the merits; the court of appeals also reached the merits; the "question was squarely presented and decided on a complete trial record [and] was argued by both sides to the Court of Appeals . . ." 453 U.S. at 257. Similarly, the dispute involves "a wholly separable issue of law, on which the jury rendered a special verdict susceptible of rectification without further jury proceedings." *Id.* at 256 n. 12.[5]

Petitioner's attempts to create a conflict are unavailing. Like *City of Newport*, this case does not involve "plain error" [App. at A10]. Accordingly, this case does not present the issue of whether "plain error" is a permissible exception to Rule 51.

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the first time on appeal is one left primarily to the discretion of the courts of appeal, to be exercised on the facts of individual cases. . . .[W]here the proper resolution is beyond any doubt, or where injustice might otherwise result," a court of appeal may resolve an issue not passed upon by the district court. *Singleton* v. *Wulff*, 428 U.S. 106, 121 (1976) (citations omitted). "[W]here questions of public importance are involved, appellate courts may *sua sponte* decide purely legal issues that are necessary to a just decision." *Cohen* v. *West Haven Bd. of Police Com'rs.*, 638 F.2d 496, 500 n.6 (2d Cir. 1980) (collecting cases).

[5] Petitioner's statement that respondents "twice proposed charges [concerning punitive damages] of their own" [Petition at 33] is disingenuous. At no time did respondents' proposed charges concede that punitive damages were available under the Lanham Act. Indeed, the second trial was held *after* the district court had rejected respondents' arguments that punitive damages were not available [JA 213], and it would have been presumptuous and possibly contemptuous for respondents to press this point by submitting a proposed instruction that was inconsistent with the district court's previously-stated conclusion. In short, the district court was well aware of respondents' arguments on the substantive issue, and reached the merits of the issue. The purpose of Rule 51 was therefore satisfied.

Moreover, several circuits have noted, consistently with the result reached here, that "plain error" is not the only exception to Rule 51, and that obvious instances of misapplied law can be corrected on appeal despite lack of compliance with Rule 51. *See, e.g., Osterneck* v. *E. T. Barwick Industries, Inc.*, 825 F.2d 1521, 1533 (11th Cir.) (where "error" is so fundamental as to result in a miscarriage of justice, or when the district court's instruction amounts to plain error" [citations and internal quotations omitted]), *affirmed on other grounds*, Dkt. No. 87-1201; *Air et Chaleur, S.A.* v. *Janeway*, 757 F.2d 489, 494 (2d Cir. 1985). *Cf. Williamson* v. *Handy Button Mach. Co.*, 817 F.2d 1290, 1295 (7th Cir. 1985) (*City of Newport* may create an exception where issue was contested and new trial not required); *Weaver* v. *Bowers*, 657 F.2d 1356, 1361 (3d Cir.)(en banc)("in unusual circumstances the courts of appeal also have inherent power to reach issues although not timely raised below"), *cert. denied*, 455 U.S. 942 (1982).[6]

Petitioner suggests that in *City of Newport*, this court merely explicated its exercise of its *own* discretionary certiorari authority. However, Rule 51 does not apply to proceedings in this Court since the Federal Rules of Civil Procedure "govern the procedure in the United States district courts . . ." Fed.R.Civ.P. 1. Not suprisingly, petitioner cites no cases in support of its claim that in *City of Newport*, this Court "limited its decision to circumstances in which it would review an issue by granting a writ of certiorari . . ." [Petition at 24-25]. Indeed, as shown above, the courts of appeal have uniformly held that *City of Newport's* application

[6] The suggestion [Petition at 25, 45] that the courts of appeal cannot *sua sponte* decide an issue for the first time on appeal, even though the issue is of a legal nature and the parties have not been hampered in preparing an adequate record, is belied by the cases. *See, e.g., Ralph Schrader, Inc.* v. *Diamond Intern. Corp.*, 833 F.2d 1210, 1214 (6th Cir. 1987); *Volkswagenwerk Aktiengesellschaft* v. *Wheeler*, 814 F.2d 812, 820-821 (1st Cir. 1987); *Hudnall* v. *Sellner*, 800 F.2d 377, 383 n. 5 (4th Cir.), *cert. denied*, 479 U.S. 1069 (1987), *rehearing denied*, 480 U.S. 941 (1987).

of Rule 51 is applicable to the lower courts as well. The claimed conflict is illusory.[7]

2. This case is an inappropriate vehicle for this Court to determine the applicability of Fed.R.Civ.P. 49(a). Neither the district court nor the court of appeals referred to such rule; ironically, in light of petitioner's argument that Rule 51 bars reaching the substantive issue, petitioner's Rule 49(a) claim was not presented until petitioner's petition for rehearing in the court of appeals.

More fundamentally, petitioner's Rule 49(a) argument is flawed for three reasons. First, Rule 49(a) was not intended to resurrect claims that were expressly withdrawn, but rather was intended to be applicable only where an incomplete special verdict was employed with respect to a cause of action that remained in the case. *See Anderson* v. *Cryovac, Inc.*, 862 F.2d 910, 915-916 (1st Cir. 1988). Second, petitioner presupposes - without any authority - that the elements of the state unfair competition cause of action are precisely coterminous with those of a cause of action for trademark infringement under the Lanham Act. In other words, petitioner erroneously assumes that by proving the federal claim, the state claim was automatically also established. Third, assuming *arguendo* that petitioner proved a *prima facie* case under state law, petitioner also incorrectly assumes that New York law would permit punitive damages thereunder.

In New York, a high standard is required to obtain damages - as opposed to injunctive relief - on an unfair competition claim based on infringing conduct. More specifically, even where the infringement is deliberate, the plaintiff must show actual confusion - not likelihood of confusion. *Perfect Fit Industries, Inc.* v. *Acme Quilting Co.*, 618 F.2d 950, 955 (2d Cir.), *cert. denied*,

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[7] Petitioner's reliance upon *Elwood* v. *Pina*, 815 F.2d 173 (1st Cir. 1987); *Emery-Waterhouse Co.* v. *R.I. Hospital Trust Nat. Bank*, 757 F.2d 399 (1st Cir. 1985); and *Barnett* v. *Housing Authority of City of Atlanta*, 707 F.2d 1571 (11th Cir. 1983) is misplaced. *Elwood* and *Barnett* did not involve "plain" error and (unlike the instant case) in both cases the district court had refused to address the merits. 815 F.2d at 176; 707 F.2d at 1581 n. 18. *Emery-Waterhouse* did not involve any error at all. 757 F.2d at 410, 411.

459 U.S. 832 (1982); *G.H. Mumm Champagne* v. *Eastern Wine Corp.*, 142 F.2d 499, 501 (2d Cir.), *cert. denied*, 323 U.S. 715 (1944); *Gemveto Jewelry Co., Inc.* v. *Jeff Cooper, Inc.*, 568 F.Supp. 319, 335 (S.D.N.Y. 1983) (Weinfeld, J.).[8]

Petitioner offered no proof at either trial to establish actual confusion by consumers. As Judge Learned Hand stated in *G.H. Mumm*, to obtain damages under New York unfair competition law for infringing conduct, "it is necessary to show that buyers, who wished to buy plaintiff's goods, have been actually misled into buying the defendant's . . ." 142 F.2d at 501. Nevertheless, petitioner offered no testimony from any purchaser of gasoline at any of the three gasoline stations, or from any consumer survey expert.

Thus, since petitioner's proof failed to establish a *prima facie* case for damages on a state unfair competition claim, it cannot rely upon such cause of action as an alternate basis for punitive damages. Petitioner's reference to *Hanover State Milling Co.* v. *D.D. Metcalf*, 240 U.S. 403, 413 (1916) ("the common law of trademarks is but a part of the broader law of unfair competition"), is unavailing, since this Court was merely explaining the historical origins of trademark law, and not purporting to hold that a *prima facie* case for damages under a state unfair competition claim involves the identical elements of a *prima facie* case for damages under the Lanham Act.

Assuming *arguendo* that petitioner established a *prima facie* case for damages under state unfair competition law, New York law demonstrates that punitive damages are unavailable. An Appellate Division case exemplifies this point. In *American Electronics, Inc.* v. *Neptune Meter Co.*, 30 A.D.2d 117, 290 N.Y.S.2d 333 (1st Dep't 1968), the Appellate Division reversed a punitive

[8] The sole New York case cited by petitioner, *Dell Publishing Co.* v. *Stanley Publications, Inc.*, 9 N.Y.2d 126, 172 N.E.2d 656 (1961), does not purport to set forth the necessary elements of an unfair competition claim under New York law. Moreover, *Dell* dealt with an action for injunctive relief, not damages, and nowhere refers to punitive damages.

damages award, "since no public right is involved and the underlying private wrong is susceptible of adequate compensation," citing *James* v. *Powell*, 19 N.Y.2d 249, 225 N.E.2d 741 (1967), and *Walker* v. *Sheldon*, 10 N.Y.2d 401, 179 N.E.2d 497 (1961).

The Appellate Division's reference to "adequate compensation" is highly significant, since § 35 of the Lanham Act, 15 U.S.C. § 1117(a), provides a plaintiff with powerful express statutory remedies in addition to recovery of actual damages.[9] However, New York law provides that where additional remedies are available to insure that a claim will be brought, punitive damages are not permitted. *James*, 19 N.Y.2d at 26, 225 N.E.2d at 747; *Walker*, 10 N.Y.2d at 404, 179 N.E.2d at 498; *Newburger, Loeb & Co., Inc.* v. *Gross*, 563 F.2d 1057, 1080 (2d Cir.), *cert. denied*, 434 U.S. 1035 (1978); *Koufakis* v. *Carvel*, 425 F.2d 892, 907 (2d Cir. 1970).[10]

Moreover, the record is inadequate for this Court in the first instance to resolve the Rule 49(a) issue. As the court of appeals observed, petitioner withdrew all of its claims except its Lanham

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[9] In the instant case, petitioner has fully benefitted from the remedies arsenal of the Lanham Act. Upon remand after the court of appeals' decision, the district court issued an amended judgment (which has been fully satisfied and is not being appealed) that awarded petitioner $111,924.50 as an enhanced recovery under 15 U.S.C. § 1117(a), and attorney fees of $130,710.62 under the same statute.

[10] These points were raised on appeal by respondents, but the court of appeals did not have to reach these issues because the state claims were no longer in the case [App. at A7-A9].

These matters were also raised by the defendants in *Getty Petroleum Corp.* v. *Island Transportation Corp.*, 862 F.2d 10 (2d Cir.), *cert. pending* Dkt. No. 88-1330. See Appendix in No. 88-1330 at C4-C10. Indeed, because these matters had not been resolved by the district court in that case, the Second Circuit remanded it, *Id.*, 862 F.2d at 14, but the district court on remand did not address these issues. In view of these circumstances, this Court should not treat the district court's implicit rejection of these arguments as an authoritative construction of state law, particularly where such state law is not statutory. *See, e.g., Brockett* v. *Spokane Arcades, Inc.*, 472 U.S. 491, 499-500 and note 9 (1985).

Act claim during the charging conference, and the first jury was not instructed as to the elements of a state unfair competition cause of action [App. at A7-A9]. Respondents did not seek to introduce any evidence on such state claim, including testimony showing absence of actual consumer confusion, or testimony that consumers consider gasoline to be a fungible product. Indeed, the district court precluded any evidence concerning gasoline quality (see note 1 above). Respondents would therefore be prejudiced if this Court were to assume that any such state claim had been proven.

3. On the merits of the only substantive issue presented by the petitioner (whether punitive damages are a permissible remedy under the Lanham Act), petitioner avoids any claim that the language of the statute, the legislative history, or relevant caselaw supports its position. The detailed discussion of the court of appeals [App. A12-A24] as to these matters does not require repetition here.[11]

Instead, without expressly using the phrase, petitioner argues that some inchoate "federal common law" authorizes the courts to fashion a punitive damages remedy. However, there is no general federal common law, *Erie R. Co.* v. *Tompkins*, 304 U.S. 64, 78 (1938), and this is particularly true with respect to trademarks. *United States* v. *Steffens*, 100 U.S. 82 (1879); *Rickard* v. *Auto Publisher, Inc.*, 735 F.2d 450, 458 n. 30 (11th Cir. 1984).

The two lower court cases cited by petitioner for this position [Petition at 60] have been undermined by this Court's subsequent decision in *Texas Industries, Inc.* v. *Radcliff Materials*, 451 U.S. 630 (1981), which teaches that the federal courts' power to create

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[11] This Court's consideration of the merits would not affect many actions, since few trademark actions are filed in the federal district courts. For the year ending June 30, 1987, of the 238,982 actions filed therein, only 1% (2,395) were trademark actions. Annual Report of the Director of the Administrative Office of the U.S. Courts, Schedule C-2 at 177, 180. Furthermore, review of the annotations suggests that many of these trademark actions seek only injunctive relief.

federal common law is restricted to very limited circumstances.[12] In conclusion, "federal common law" is too slender a reed to support punitive damages under the Lanham Act. To do so would ignore Congress' 26 years of deliberations concerning what should be the appropriate relief in trademark cases. By enacting a statute that does not expressly permit punitive damages yet expressly provides monetary relief in excess of a successful plaintiff's actual damages, "Congress has struck the balance for us." *Mobil Oil Corp.* v. *Higginbotham*, 436 U.S. 618, 623 (1978), *rehearing denied*, 439 U.S. 884 (1978).[13] Indeed, in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714, 719, 721 (1967), this Court observed that "in the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed. . . . Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act."

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[12] These circumstances "fall into essentially two categories: those in which a federal rule of decision is necessary to protect uniquely federal interests and those in which Congress has given the courts the power to develop substantive law." *Texas Materials*, 451 U.S. at 640 (quotations and internal citations omitted).

The latter exception explains why punitive damages are permitted under the federal Reconstruction civil rights statutes: Congress expressly authorized the courts to fashion appropriate remedies, by its enactment of 42 U.S.C. § 1988.

[13] Even where the right alleged to have been violated is founded upon the Constitution rather than a statute, the fact that Congress has carefully crafted a comprehensive remedies provision counsels caution in permitting judicially-created remedies. *Bush* v. *Lucas*, 462 U.S. 367, 373-374, 378, 388 (1983).

CONCLUSION

The petition for a writ of *certiorari* should be denied.

Dated: Great Neck, New York
March 6, 1989

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No. 88-1335

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

– against –.

BARTCO PETROLEUM CORP.,
NICHOLAS J. BARTOLOMEO, ANTHONY GOLIO,

Respondents.

PETITIONER'S REPLY BRIEF TO RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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PETITIONER'S REPLY BRIEF TO RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

POINT I

RESPONDENTS WAIVED THEIR CHALLENGE TO PUNITIVE DAMAGES UNDER THE LANHAM ACT AND MISSTATED THE RECORD BEFORE THE DISTRICT COURT, THE COURT OF APPEALS AND, NOW, THIS COURT

Respondents challenged the availability of punitive damages under the Lanham Act for the first time, only after the second jury's verdict. Respondents misrepresented in their brief to this Court that they objected earlier.

Respondents assert in their opposition brief before this Court that they raised their claim that punitive damages are not available under the Lanham Act, for the first time, on July 8, 1987, at a conference prior to the second trial and that they asked the District Court to certify that question for appeal. The full transcript of that conference has been obtained

and submitted to this court as Reply Appendix A. It demonstrates the falsity of that representation, highlighting petitioner's argument that the purposes of Rule 51 are ill-served by permitting a party to sandbag a legal issue by not objecting to a jury charge and raising it for the first time after the jury's verdict, before appeal.

Respondents further misstated the record to both the District Court and the Court of Appeals. The first misstatement occurs in the affidavit of Clifford Chu, Esq., dated July 24, 1987 to the District Court, in support of respondent's motion for judgment n.o.v. Mr. Chu stated:

> At a conference held on July 8, 1987, defendants' attorneys argued, among other things, that since (a) the only non-contractual claims presented to the first jury were predicated upon the Lanham Act, and since the availability of punitive damages

> under the Lanham Act, 15 U.S.C. 1117(a) had been denied by other circuit courts of appeal; and, (b) the Second Circuit has not expressly ruled on this issue, the issue should have been certified pursuant to 28 U.S.C. § 1292(b). This court orally denied that motion at the conference.

(A 213). The transcript of the July 8, 1987 proceedings was not reproduced by respondents and not annexed as an exhibit to that motion.

The same misstatement is found in respondent's brief before the Court of Appeals for the Second Circuit and was aggravated by their reply brief. The appellant brief contained the following statement:

> Defendants Bartco and Bartolomeo retained its present counsel for the second trial and requested Judge Mishler to certify the issue of availability of punitive damages under the Lanham Act, pursuant to 28 U.S.C. § 1292(b); Judge Mishler declined to certify the question.

(Respondent's brief to the Court of Appeals, pp. 3-4).

In respondent's reply brief to the Second Circuit the respondents cited City of Newport v. Fact Concert, Inc., 453 U.S. 247 (1981) and referred to a letter written on July 7, 1987 (Appendix B), implying both that the July 7, 1987 letter raised the Lanham Act question and that the respondents cited Fact Concerts in that letter for the argument which finally formed the basis of the Second Circuit's opinion.

Finally, the respondents continue in this vein by insisting in their opposition brief to the petition for writ of certiorari that they raised the issue of punitive damages under the Lanham Act prior to the second jury's verdict. The July 7, 1987 letter and the July 8, 1987 conference, however, involved an entirely different

challenge to the punitive damage award in the first trial.

The July 7, 1987 letter raised the single issue of whether the jury charge and the special verdict form given to the first jury allowed that jury discretion to decline to award punitive damages. That letter presented the issue as follows:

> Specifically, the charge to the jury on punitive damages usurped the jury's discretion to decline to assess a civil fine, because it instructed them to award punitive damages against any defendant once they found that such defendant acted wilfully, intentionally and with a callous and reckless disregard of plaintiff's rights.[1]

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[1]The District Court found this argument frivolous. At the first trial the jury was told that it "may" and not that it must award punitive damages. Moreover, no objection by counsel for the respondents was made to this claimed error, one easily corrected by an additional instruction. Accordingly, the District Court concluded

(Footnote Continued)

(Reply Appendix B3). The citation of Fact Concerts in that letter had nothing at all to do with the Lanham Act, but rather respondents cited that case for the proposition that the claimed failure of the court to permit the jury discretion to deny an award of punitive damages, constituted plain error. (Reply Appendix B6).

The July 8, 1987 hearing consisted of extensive argument between respondents' counsel and the District Court on that single issue. The District Court followed Bartco's counsel to the extent that the Court at the second trial first asked the jury to decide whether to award punitive damages and then to decide the amount.

(Footnote Continued)
that Rule 51 barred this objection. At the second trial the jury was clearly given the option not to award any punitive damages whatsoever.

Thus, through the entire course of the second trial the respondents presented the impression that this constituted the sole challenge to plaintiff's punitive damage recovery, an impression reinforced by the fact that respondents, Bartco and Bartolomeo, presented their own charge on punitive damages in both the first and second trials and did not object to the punitive damage charge at either trial. Only in their motion for judgment, n.o.v. and again before the Court of Appeals, did the respondents, Bartco and Bartolomeo, attempt to utilize a hearing, the transcript of which they failed to obtain and reproduce, as evidence of an argument they claimed to have raised, but never did raise.

It is evident that the respondents' conduct in this case foreclosed a challenge

to the punitive damage charge before the Second Circuit. The failure to object to the punitive damage charge at the first and second trials, coupled with presentation of charges on punitive damages by the respondents and a single challenge, raised by counsel for the respondents at the second trial, not to the availability of punitive damages under the Lanham Act, but to the nature of the charge at the first trial, eliminated any legitimate right to raise the punitive damage issue on appeal. At no time during either the first or second trial, prior to the submission to the jury, was the petitioner ever given notice that the availability of punitive damages was at issue.

The clear purpose of Rule 51 is to permit a party to rectify a claimed error prior to its submission to the jury. This

could easily have been accomplished in this case due to the availability of the punitive damage award under New York State law. In Springfield v. Kibbe, 480 U.S. 257 (1987) this Court, in declining certiorari as improvidently granted, stated:

> We think, however, that there would be considerable prudential objection . to reversing the judgment because of instructions that the petitioner accepted, and indeed himself requested.

480 U.S. 257, 259 (1987).

The prudential warning of this court in Kibbe fell on deaf ears before the Second Circuit, which reached out to hear the Lanham Act issue, borrowing from the discretion taken by this Court in Fact Concerts. The inequities of this result are evident and demonstrate that the Court of Appeals' departure from the dictates of Rule 51 constituted error. By effectively sandbagging their challenge to the punitive

damage instruction and misstating the record before the District Court and the Court of Appeals, the respondents escaped the judgment of two juries. To permit such a result would render Rule 51 meaningless and do violence to the integrity of the judicial proceedings now before this Court.

POINT II

THE TRIAL RECORD DEMONSTRATED CONCLUSIVELY ACTUAL CONFUSION BY THE MOTORING PUBLIC AND THAT THE ACT OF SELLING NON-GETTY GASOLINE FROM GETTY BRAND GASOLINE STATIONS CONSTITUTED A FRAUD ON THE PUBLIC

The respondents attempt to escape the force of petitioner's Rule 49(a) argument based upon their assertion that under New York State law punitive damages may only be awarded where actual confusion is present and the wrong committed affected the public

generally.[2] Petitioner does not concede that New York law requires proof of actual confusion and that the wrong must affect the public.[3] Nevertheless, petitioner has satisfied even respondents' version of the law. No more perfect an example of both these elements can be imagined than in the present case where the respondents

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[2]The cases respondents mistakenly rely upon are limited to their own facts which involve infringement of trade dress and the acquiring of a secondary meaning by non-functional features and should not be considered by this Court as an exposition of the state of New York Law.

[3]In Underwriters' Laboratories, Inc. v. Smith, 41 Misc.2d 756, 246 N.Y.S.2d 436 (Sup. Ct., 1964), defendant's use of counterfeit Underwriters' Laboratories labels on substandard articles was detrimental to the plaintiff and constituted a fraud on the public warranting an award of punitive damages. The court made no finding of actual confusion, awarding only $1 in nominal damages as compared with $10,000 in exemplary damages.

infringed upon Getty's trademark by selling and contributing to the sale of unbranded gasoline through Getty brand gasoline stations.

Of the three stations involved in this case, two were branded Getty by Getty brand signs on the building and at a pole on the corner of each station and on the gasoline dispensing pumps. The third station had a Getty brand sign on a pole at the corner of the station and on the gasoline dispensing pumps. The non-Getty gasoline was delivered to the stations, mixed with Getty brand gasoline and sold from the dispensing pumps bearing the Getty brand and trademark to any motorist who came into the station to purchase Getty gasoline. All such

motorists were actually deceived and defrauded.[4]

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[4] The respondents have not appealed from: the jury finding that the respondents knowingly infringed the Getty trademark; the finding of compensatory damages; or from the finding by the jury that the respondents' "infringing acts were done willfully, intentionally and with a callous and reckless disregard for Getty's trademark rights."

Where a defendant's predatory practices evidence the intent to copy or to benefit from another's property right and the only issue is likelihood of confusion, the courts have consistently stated that the burden then rests with the alleged wrongdoer to prove an absence of likelihood of confusion. Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464, 467 (2d Cir. 1955), cert. denied, 350 U.S. 832 (1955); Spring Mills, Inc. v. Ultracashmere House, Ltd., 689 F.2d 1127, 1135 (2d Cir. 1982).

The respondents did not come forward with proof showing either an absence of likelihood of confusion or evidence of an absence of actual confusion. The failure of the respondents to appeal from any other finding other than the finding of the amount of punitive damages, precludes them

(Footnote Continued)

The following volumes of non-branded gasoline purchased and sold as Getty gasoline were admitted:

1. 455,365 gallons sold at the Oceanside station, 285,815 gallons of which constituted actual infringement by Bartco and Bartolomeo;

2. 212,727 gallons sold at the New Hyde Park station; and

3. 134,001 gallons sold at the Garden City Park station.

Substantial evidence existed that far greater volumes of non-branded gasoline were sold at these three stations, for which, however, invoices were not produced.

The assertion by the respondents that their activities did not constitute actual confusion and an actual fraud on the public

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(Footnote Continued)
from raising in this court for the first time the issue of lack of actual confusion.

is simply ridiculous. It would require an omniscient motorist, or one with the powers of ESP, to conclude that he was purchasing anything but Getty gasoline, when pulling into a station with Getty signs and pumps bearing the Getty trademark. For good reason, therefore, the Second Circuit noted that the sale of non-branded gasoline constitutes, "a fraud on the public," in The Wisser Co., Inc. v. Mobil Oil Corp., 730 F.2d 54, 60. There can be no question that under New York State law the petitioner was entitled to recover punitive damages for unfair competition, on the identical set of facts giving rise to a Lanham Act violation.

CONCLUSION

For all of the above reasons, and for the reasons stated in petitioner's petition for a writ of certiorari to the United

States Court of Appeals for the Second Circuit, this Court should issue a writ of certiorari, as prayed for herein, to review the opinion and judgment of the United States Court of Appeals for the Second Circuit.

Dated: Garden City, New York
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